_____ value, also called residual value or scrap value, is an estimate of the asset's value at the end of its benefit period.

- Your answer is correct!

| Leftover | Useful | Obsolescence | **Salvage** |

- Read about this
The factors necessary to compute depreciation include (cost/selling price/market value) cost, salvage value and useful life.
When considering the sale of a plant asset, match the following outcomes to the appropriate situations.

<table>
<thead>
<tr>
<th>Condition</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book value &gt; selling price</td>
<td>Loss on sale of asset</td>
</tr>
<tr>
<td>Book value &lt; selling price</td>
<td>Gain on sale of asset</td>
</tr>
<tr>
<td>Book value = selling price</td>
<td>No gain or loss recognized</td>
</tr>
</tbody>
</table>
On January 3, ATA Company purchases a copy machine for $11,500. The machine is expected to last five years and have a salvage value of $1,500. Compute depreciation expense for the first year, assuming the company uses the straight-line method.

Your answer is correct!

$2,000
The correct answer is shown

The useful life (also called service life) is the length of time the asset is productively used in a company's operations.

✅ Your answer is correct!
The correct answer is shown

Plant assets are assets used in a company's operations that have a useful life of more than one accounting period.

✅ Your answer is correct!
A delivery van that cost $45,000 with accumulated depreciation of $15,000 is sold for $20,000. How much gain or loss will be recognized on this sale?

<table>
<thead>
<tr>
<th>Option</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,000 gain</td>
<td>$10,000 gain</td>
</tr>
<tr>
<td>$20,000 loss</td>
<td>$20,000 loss</td>
</tr>
<tr>
<td>$15,000 gain</td>
<td>$15,000 gain</td>
</tr>
<tr>
<td>$5,000 loss</td>
<td>$5,000 loss</td>
</tr>
<tr>
<td>$20,000 gain</td>
<td>$20,000 gain</td>
</tr>
</tbody>
</table>

Your answer is correct!

$10,000 loss
A company owns an asset that is fully depreciated. The asset is no longer being used in operations and has no market value. The company has decided to discard the asset by recording an entry to remove it from the balance sheet.

Your answer is correct!
The correct answer is shown.

Straight-line depreciation is calculated by taking cost - (salvage/market) salvage value.

Your answer is correct!
A company sells a machine that cost $7,000 for $500 cash. The machine had $6,500 accumulated depreciation. The entry to record this transaction will include which of the following entries? (Check all that apply.)

<table>
<thead>
<tr>
<th>Debited Account</th>
<th>Credited Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debit to Machinery for $7,000.</td>
<td>Credit to Cash for $500.</td>
</tr>
<tr>
<td></td>
<td>Debit to Cash for $500.</td>
</tr>
<tr>
<td></td>
<td>Credit to Machinery for $7,000.</td>
</tr>
<tr>
<td></td>
<td>Debit to Loss on Sale of Machinery for $500.</td>
</tr>
<tr>
<td></td>
<td>Credit to Gain on Sale of Machinery for $500.</td>
</tr>
<tr>
<td></td>
<td>Debit to Accumulated Depreciation - Machinery for $6,500</td>
</tr>
<tr>
<td></td>
<td>Credit to Accumulated Depreciation - Machinery for $6,500</td>
</tr>
</tbody>
</table>

Your answer is correct!
Depreciation is the process of allocating the cost of a plant asset to expense in the accounting periods benefiting from its use.
Brice Co. purchases land in order to drill oil. This land would be classified as a(n) ______ on the balance sheet.

- plant asset
- intangible asset
- current asset
- natural resource

Your answer is correct!
Ironworks Co. sells a machine that cost $5,000 with a current book value of $1,500 for $2,000 cash. Ironworks will record a debit to which account and for how much?

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated Depreciation - Equipment</td>
<td>$1,500</td>
</tr>
<tr>
<td>for $1,500</td>
<td></td>
</tr>
<tr>
<td>Equipment for $5,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>Equipment for $3,500</td>
<td>$3,500</td>
</tr>
</tbody>
</table>

Your answer is correct!
Privo Co. purchases a machine that cost $15,000. Privo estimates a 5-year life with no salvage value. The first three years of depreciation expense are $6,000; $3,600; and $2,160, respectively. Based on this information, Privo is using the _______ depreciation method.

Your answer is correct!

- straight-line
- declining-balance
- units-of-production
On December 31, Briar Co. disposed of a piece of equipment that cost $6,000 with accumulated depreciation of $4,500. The entry to record this disposal would include a debit to which account and for how much?

- Depreciation Expense - Equipment for $1,500
- Loss on Disposal of Equipment for $1,500
- Accumulated Depreciation for $6,000
- Equipment for $6,000

Your answer is correct!
The method of depreciation that charges a varying amount to depreciation expense for each period of an asset's useful life depending on its usage is called the ________ method.

- straight-line
- MACRS
- units-of-production
- declining-balance

Your answer is correct!
Accumulated depreciation is a contra asset account (one that is linked with the plant asset account, but has an opposite normal balance) and is reported on the balance sheet.
Determine which of the following expenses are considered revenue expenditures related to a company vehicle. (Check all that apply.)

- Dent repair
- Car wash
- Oil change
- Installation of special equipment
- Engine overhaul

Your answer is correct!
The correct answer is shown

(Capital/Revenue) Capital expenditures are additional costs of plant assets that provide benefits extending beyond the current period, such as a plant expansion, or machine overhaul.

Your answer is correct!
Consistent with the principle, plant assets should be recorded at cost, which includes all the normal and reasonable expenditures necessary to get the asset in place and ready for its intended use.
The cost at which a company records purchases of machinery and equipment should include which of the following? (Check all that apply.)

- Purchase price
- Taxes
- Installation
- Shipping fees
Intangible assets are nonphysical assets (used in operations) that confer on their owners long-term rights, privileges, or competitive advantages.
The correct answer is shown

(Plant/Current) Plant assets purchased as a group in a single transaction for a lump-sum price (also called a lump-sum, group, bulk, or basket purchase) are allocated the purchase price based on their relative market values.

⚠️ Your answer is correct!
On October 30, Cleo Co. purchased a machine for $26,000 and estimates it will use the machine for four-years with a $2,000 salvage value. Using the straight-line depreciation method, compute the machine's first year partial depreciation expense for October 30 through December 31.

Your answer is correct!

<table>
<thead>
<tr>
<th>$6,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,000</td>
</tr>
<tr>
<td>$1,500</td>
</tr>
<tr>
<td>$3,000</td>
</tr>
</tbody>
</table>

[Challenge] [OK]
Which of the following assets are amortized? (Check all that apply.)

- Coal mine
- Patent
- Land
- Building
- Copyright

Your answer is correct!
Geo Co. purchased a building for $400,000. In addition, Geo paid $35,000 closing fees (including brokerage, title, and attorney fees). Geo also paid $60,000 to modify the building, changing the layout specifically for Geo's needs. Geo should record the building at $495,000.
Land improvements are assets that increase the benefits of land, have a limited useful life, and are depreciated—such as sidewalks and fences.
The correct answer is shown

Book value can be calculated by taking an asset's acquisition costs less its accumulated depreciation.

✅ Your answer is correct!

OK
At the beginning of the year, Jobs Co. owned one piece of office equipment, a copier. The copier was purchased two years ago for $12,000. At the beginning of the year, the balance in accumulated depreciation was $4,000. Jobs uses straight-line depreciation of $2,000 per year with a zero salvage value. How much is accumulated depreciation at the end of the year?

Your answer is correct!

- $10,000
- $2,000
- $4,000
- $6,000
- $12,000
- $8,000
Trio Co. reported that maintenance and repair costs are expensed as incurred. If Trio's current year machinery and equipment repair costs are $8,200, which accounts would be impacted to complete the journal entry? (Check all that apply.)

<table>
<thead>
<tr>
<th>Account Description</th>
<th>Debit/Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Repairs expense.</td>
<td>Credit</td>
</tr>
<tr>
<td>Debit Repairs expense.</td>
<td>Debit</td>
</tr>
<tr>
<td>Credit Machinery &amp; equipment.</td>
<td>Credit</td>
</tr>
<tr>
<td>Debit Machinery &amp; equipment.</td>
<td>Debit</td>
</tr>
<tr>
<td>Credit Cash.</td>
<td>Credit</td>
</tr>
<tr>
<td>Debit Cash.</td>
<td>Debit</td>
</tr>
</tbody>
</table>

Your answer is correct!
The process of allocating the cost of a natural resource to a period when it is consumed requires a debit entry to the Depletion Expense account.
Seven Co. owns a coal mine with an estimated 1,000,000 tons of available coal. It was purchased for $300,000 and has $50,000 salvage value. During the current period, Seven mined and sold 200,000 tons of coal. Depletion expense for the period will be how much?

- $30,000
- $60,000
- $50,000

Your answer is correct! $50,000
Betterments are expenditures that make a plant asset more efficient or productive, but do not always increase an asset’s useful life.
Ion Co. purchased land for $190,000. Ion also paid $5,000 in brokerage fees, $1,000 in legal fees, and $500 in title costs. Ion should record the cost of this land to be:

$196,500
$190,000
$195,500
$196,000
$195,000
A patent was purchased for $20,000 and expected to be used for the 20-year life with no salvage value. The entry to expense the patent during the second year of life will include which of the following entries? (Check all that apply.)

- Your answer is correct!
  - Credit to Accumulated Amortization $1,000.
  - Debit to Amortization Expense $1,000.
Zion Co. paid cash for an upgrade to an existing machine that would reduce the amount of waste produced by the machine (and therefore, increasing efficiency). The journal entry to record this upgrade would include which of the following entries? (Check all that apply.)

- Debit to Machinery
- Debit to Repair & Maintenance Expense
- Credit to Repair & Maintenance Expense
- Credit to Machinery
- Credit to Cash
- Debit to Cash

Your answer is correct!
Grand Co. trades in an old machine for a new machine. The new machine has a list price of $10,000. The old machine has a cost of $12,000, and accumulated depreciation of $9,000. In addition, Grand will pay $6,000 towards the purchase. Because the new machine is much more technologically advanced, the exchange has commercial substance. The trade will include a (gain/loss) gain of $1000.
To calculate depletion expense, first determine the depletion per unit. Depletion per unit can be calculated by taking (cost ____)/total units of capacity.

Your answer is correct!

+ operating expenses
- operating expenses
- salvage value
+ salvage value
Diamond Co. paid cash to overhaul a forklift, which extended the life of the forklift for an additional four years. The entry to record this purchase would include a debit to the _______ account.
If an intangible asset has a limited life, its cost is systematically allocated to expense over its useful life through the process of:

- amortization
- depreciation
- depletion
- impairment
Extraordinary repairs are expenditures that extend the asset's useful life beyond its original estimate.
________ are expenditures that keep an asset in normal, good operating condition. They are necessary if an asset is to perform to expectations over its useful life.

Your answer is correct!

- Ordinary repairs
- Betterments
- Capital repairs
Keva Co. trades in a vehicle with an original cost of $20,000 and accumulated depreciation of $18,000. The list price of the new vehicle is $25,000. In addition to the old vehicle, Keva also provides $24,000 cash. The entry to record this transaction would include debits to which of the following accounts? (Check all that apply.)

- **Vehicles for $25,000**
- **Accumulated Depreciation - Vehicles for $18,000**
- **Loss on Exchange of Vehicles for $1,000**

Book value is $20,000-$18,000=$2,000. Asset received = $25,000 - assets given: $2,000 book value + $24,000 = $26,000. Loss = $25,000-26,000 = $1,000.

- **Cash for $24,000**

- **Gain on Exchange of Vehicles for $1,000**

Your answer is correct!
An oil company recognizes the cost of discovering and operating oil wells by recording ______ expense for each unit of oil used.

- Your answer is correct!

- operating
- depletion
- depreciation
- amortization
Goodwill is the amount by which a company's value exceeds the value of its individual assets and liabilities. It is recorded as an intangible asset, but is not amortized.
Which of the following items related to depreciating equipment would be found on a company's income statement?

- **Depreciation Expense - Equipment**
- Accumulated Depreciation - Equipment
- Equipment
- Net Book Value

*Your answer is correct!*
Total asset turnover is computed as net sales / average total assets.
Bina Co. purchased a vehicle on January 1st, for $15,000 and estimates it will use the vehicle for eight years with a $3,000 salvage value. Using the double declining-balance depreciation method, compute the vehicle's second year depreciation expense.

Your answer is correct!

- $3,000.00
- $2,812.50
- $2,250.00
- $3,750.00
Amortization expense is recorded on which financial statement?

- Your answer is correct!
- Income statement
- Balance sheet
- Statement of retained earnings
Goodwill is measured as the excess of the cost of an acquired entity over the value of the acquired net assets.
A company acquires a patent for $20,000 to manufacture and sell an item. The company intends to hold the patent for 5 years. Amortization for the first year will be recorded with a debit to Amortization Expense for $4000.

Your answer is correct!