TT TEXTBOOK TESTBANKS

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Fundamental Accounting Principles Volume II 17th Edition by Larson Ch09

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

1) Property, plant and equipment are assets held for sale.

⊚ true
⊚ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Topic : 09-01 Property, Plant, and Equipment (PPE)
Bloom's : Remember
Difficulty : Easy

2) Non-current assets can be divided into two groups including tangible and intangible assets. These assets are generally used in operations of a business and have useful lives extending over more than one accounting period.

⊚ true
⊚ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Topic : 09-01 Property, Plant, and Equipment (PPE)
Bloom's : Remember
Difficulty : Medium

3) Land purchased as a building site is a tangible asset called property, plant and equipment and is classified under the "Long-term Investments" section on the balance sheet.

⊚ true
⊚ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Bloom's : Remember
Topic : 09-06 Land
Difficulty : Hard

4) The cost of an asset includes all normal and reasonable expenditures necessary to get the asset in place and ready for its intended use.

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Bloom's : Remember
Difficulty : Easy
Topic : 09-02 Cost of PPE

5) If a machine is damaged during unpacking, the repairs are added to its cost.

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Bloom's : Remember
Difficulty : Easy
Topic : 09-02 Cost of PPE

6) To be charged to and reported as part of the cost of property, plant and equipment, an expenditure must be normal, reasonable, and necessary in preparing the asset for its intended use.

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Bloom's : Remember
Difficulty : Medium
Topic : 09-02 Cost of PPE

7) The purchase of real estate that includes land, building, and land improvements is called a lump-sum purchase.

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Bloom's : Remember
Difficulty : Medium
Topic : 09-11 Lump-Sum Asset Purchase

8) Any expenditures for legal fees, surveying, and accrued property taxes should not be included in the cost of land.

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Bloom's : Remember
Topic : 09-06 Land
Difficulty : Hard
Topic : 09-02 Cost of PPE

9) Revenue expenditures are additional costs of property, plant and equipment that provide material benefits extending beyond the current period.

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Bloom's : Remember
Difficulty : Easy
Topic : 09-02 Cost of PPE

10) Revenue expenditures are expenditures to keep assets in normal operating condition.

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Bloom's : Remember
Difficulty : Easy
Topic : 09-02 Cost of PPE

11) Capital expenditures are also called balance sheet expenditures.

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Bloom's : Remember
Difficulty : Medium
Topic : 09-02 Cost of PPE

12) SportsWorld spent $17,000 to remodel its store. This cost will be recognized with a debit to Store Building.

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Bloom's : Remember
Difficulty : Medium
Topic : 09-03 Subsequent Expenditures

13) Treating small-dollar-amount capital expenditures as revenue expenditures is likely to mislead users of financial statements.

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Bloom's : Remember
Difficulty : Hard
Topic : 09-05 Low-Cost Asset Purchases

14) The cost principle requires that an asset be recorded at the cash or cash equivalent amount given in exchange.

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Bloom's : Remember
Difficulty : Medium
Topic : 09-02 Cost of PPE

15) Subsequent expenditures are purchases made after the acquisition of equipment to operate, maintain, repair, and improve it.

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Bloom's : Remember
Difficulty : Medium
Topic : 09-03 Subsequent Expenditures

16) Because land has unlimited life, it is not subject to depreciation. Therefore, items that increase the usefulness of the land such as parking lots are also not depreciated.

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Bloom's : Remember
Topic : 09-06 Land
Difficulty : Hard
Topic : 09-07 Land Improvements

17) Depreciation is the process of allocating the cost of a tangible asset in a rational and systematic manner over the asset's estimated useful life.

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-12 Depreciation

18) Residual value is an estimate of an asset's value at the end of its useful life.

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-14 Factors in Calculating Depreciation

19) Inadequacy refers to the condition where the capacity of a property, plant and equipment item is too small to meet the company's productive demands.

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-14 Factors in Calculating Depreciation

20) Depreciation should always be recorded as soon as an asset is purchased.

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-12 Depreciation
Topic : 09-13 Reporting Depreciation on Assets

21) Depreciation measures the decline in market value of an asset.

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods

22) On the balance sheet, it is not necessary to report both the cost and the accumulated depreciation of an asset.

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-13 Reporting Depreciation on Assets

23) Accumulated depreciation represents funds set aside to buy new assets when the assets currently owned are replaced.

- ⦾ true
- ⦾ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-13 Reporting Depreciation on Assets

24) The full disclosure principle allows us to record an asset costing $50 as a revenue expenditure

- ⦾ true
- ⦾ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-13 Reporting Depreciation on Assets

25) Regardless of the method of depreciation, total depreciation expense will be the same over an asset's useful life.

- ⦾ true
- ⦾ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods

26) Financial accounting and tax accounting require the same recordkeeping; therefore, there should be no difference in results between the two accounting systems.

- true
- false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods

27) Companies are required to use the straight-line depreciation method for tax purposes because this method yields the lowest depreciation expense and results in the highest payment of tax.

- true
- false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods

28) The Income Tax Act requires that companies use a declining-balance method for calculating the maximum capital cost allowance that may be claimed in any period

- true
- false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Hard
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods

29) The most frequently used method of depreciation is the straight-line method.

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods

30) The cost of an asset plus its accumulated depreciation equals the asset's book value.

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-13 Reporting Depreciation on Assets

31) The units of production method of depreciation charges a varying amount of expense for each period of an asset's useful life depending on its usage.

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods

32) An accelerated depreciation method yields smaller depreciation expense in the early years of an asset's life and larger charges in later years.

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods

33) The double-declining balance method is applied by (1) calculating the asset's straight-line depreciation rate, (2) doubling it, (3) subtracting residual value from cost, and (4) multiplying the rate times the cost.

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Hard
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods

34) SportsWorld purchased store equipment for $65,000. The equipment has an estimated residual value of $6,000. With an estimated useful life of 10 years, the annual depreciation using the straight-line method will be $3,900 per year.

⊙ true
⊙ false

Fundamental Accounting Principles Volume II 17th Edition by Larson Ch09

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply

35) A company is required to purchase all assets at the beginning of an accounting period so that a full year's worth of depreciation can be taken.

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods

36) Machinery having a four-year useful life and a residual value of $5,000 was acquired for $65,000 cash on June 28. Using the nearest whole month method, the company would recognize $11,250 for depreciation expense at the end of the first year, December 31.

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Bloom's : Apply
Learning Objective : 09-03 Explain and calculate depreciation for partial years.
Topic : 09-16 Partial-Year Depreciation

37) A depreciable asset that is purchased on March 18 would be depreciated for nine months of the first year, if the fiscal year ends on December 31 using nearest whole month method.

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-03 Explain and calculate depreciation for partial years.
Topic : 09-16 Partial-Year Depreciation

38) The half year rule is the partial-year depreciation method that calculates depreciation by determining if the asset was used for more than half of the month.

- ⦾ true
- ⦾ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-03 Explain and calculate depreciation for partial years.
Topic : 09-16 Partial-Year Depreciation

39) Because depreciation is based on predictions of residual value and useful life, depreciation is an estimate.

- ⦾ true
- ⦾ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Topic : 09-15 Depreciation Methods
Learning Objective : 09-04 Explain and calculate revised depreciation.

40) Machinery after two years' worth of depreciation has an opening book value of $6,400. At the beginning of the third year, the predicted number of years remaining in its useful life changes from three years to four years and its estimated residual value changes from the original $1,000 to $400. The revised annual depreciation using the straight-line method is $1,500.

- ⦾ true
- ⦾ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Bloom's : Apply
Learning Objective : 09-04 Explain and calculate revised depreciation.
Topic : 09-17 Revising Depreciation Rates

41) An asset that cost $5,000 has a current book value of $2,000. A revision of the useful life of the asset estimated that the asset has a remaining useful life of four years and a residual value of $400. Using the straight-line method, the revised depreciation will be $500 per year.

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Bloom's : Apply
Learning Objective : 09-04 Explain and calculate revised depreciation.
Topic : 09-17 Revising Depreciation Rates

42) When the cost of the asset changes because of a subsequent capital expenditure, revised depreciation for current and future periods must be calculated and adjusted.

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Bloom's : Apply
Learning Objective : 09-04 Explain and calculate revised depreciation.
Topic : 09-17 Revising Depreciation Rates

43) Depreciation amounts can be revised because of changes in the estimates for residual value, useful life or because of subsequent revenue expenditures.

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Bloom's : Apply
Learning Objective : 09-04 Explain and calculate revised depreciation.
Topic : 09-17 Revising Depreciation Rates

44) An asset with a current book value of $5,000 has a current market value of $2,000. The company should recognize an impairment loss of $3,000.

- ⦾ true
- ⦾ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Bloom's : Apply
Learning Objective : 09-05 Explain and record impairment losses.
Topic : 09-18 Impairment of PPE Assets

45) If the book value of a property, plant and equipment item is less than the amount to be recovered through the asset's use or sale, the difference is an impairment loss and the asset is described as impaired.

- ⦾ true
- ⦾ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-05 Explain and record impairment losses.
Topic : 09-18 Impairment of PPE Assets

46) Impairment can result from a variety of situations that include a significant decline in an asset's market value or a major adverse effect caused by technological, economic, or legal factors.

- ⦾ true
- ⦾ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-05 Explain and record impairment losses.
Topic : 09-18 Impairment of PPE Assets

47) Impairment losses must be assessed by companies on an annual basis.

⦿ true
⦿ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-05 Explain and record impairment losses.
Topic : 09-18 Impairment of PPE Assets

48) The gain or loss from disposal of property, plant and equipment is the difference between an asset's book value and the value received.

⦿ true
⦿ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-19 Disposals of PPE

49) Property, plant and equipment can be disposed of by discarding, sale, or exchange of the asset.

⦿ true
⦿ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-20 Discarding PPE

50) The first step in accounting for the disposal of property, plant and equipment is calculating the gain or loss on disposal.

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-20 Discarding PPE

51) Equipment costing $14,000 with accumulated depreciation of $10,000 was sold for $3,000. The company should recognize a $1,000 loss on disposal of the equipment.

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-21 Selling PPE

52) At the time a plant asset is being discarded or sold, it is necessary to update the accumulated depreciation of the plant asset to the date of disposal.

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-20 Discarding PPE

53) When accumulated depreciation equals the asset's cost, the asset is fully depreciated. The entry to record the removal of the asset is called exchanging the equipment.

⦾ true
⦾ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-22 Exchanging PPE

54) When assigning values to an exchange of assets you should use the fair value of the asset given up.

⦾ true
⦾ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-22 Exchanging PPE

55) When assigning values to an exchange of assets you should always use the fair value of the asset received.

⦾ true
⦾ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-22 Exchanging PPE

56) A patent is an exclusive right granted to its owner to manufacture and sell a patented machine or device, or to use a process, for a specified period of time.

⦾ true
⦾ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-25 Patents

57) Intangible assets should be amortized over their anticipated legal, regulatory, contractual, competitive or economic life.

⦾ true
⦾ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-24 Accounting for Intangible Assets

58) Amortization is the process of allocating the cost of intangibles over their estimated useful life.

⦾ true
⦾ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-24 Accounting for Intangible Assets

59) Drilling rights are legal permissions to extract natural resources from the earth and are treated as intangible assets.

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-27 Mineral Resources

60) Intangible assets provide rights, privileges, and competitive advantages to the owner, are used in operations, and have no physical substance and can be amortized

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-23 Intangible Assets

61) A copyright gives its owner the exclusive right to publish and sell a musical, literary, or artistic work during the life of the creator plus 20 years.

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-26 Copyrights

62) The cost of developing, maintaining, or enhancing the value of a trademark is capitalized, or added to the value of the asset when incurred.

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Hard
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-28 Trademarks and Brand Names

63) Goodwill is an intangible asset.

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-23 Intangible Assets
Topic : 09-30 Goodwill

64) Goodwill is not depreciated or amortized but is instead decreased only if its value has been determined by management to be impaired.

⊙ true
⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-30 Goodwill

65) Goodwill is depreciated over its useful life as estimated by the business's management.

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-30 Goodwill

66) Goodwill is written down to its fair value if the fair value is less than its carrying value.

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Hard
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-30 Goodwill

67) The impairment of goodwill appears directly on the statement of changes in equity and not on the income statement.

- ⊙ true
- ⊙ false

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Hard
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-30 Goodwill

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

68) On January 1 of this year, SportsWorld purchased a new cash register for $5,400. This register has a useful life of 10 years and a residual value of $400. Using the double-declining-balance method, how much depreciation expense should SportsWorld recognize for next year?

A) $500
B) $540
C) $1,000
D) $864
E) $1,080

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply

69) SportsWorld purchased equipment costing $10,000. The equipment has a residual value of $1,000, and an estimated useful life of 5 years or 36,000 shoes. Actual units produced during the year were 7,000 units. Calculate the annual depreciation using the straight line method.

A) $1,800
B) $4,000
C) $1,450
D) $2,000
E) $1,750

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply

70) On October 1 of this year, SportsWorld purchased a delivery van for $23,000 with a residual value of $3,000. The van has an estimated useful life of 5 years. Using straight-line depreciation and the half-year rule, how much depreciation expense should SportsWorld recognize on December 31 of this year?

A) $4,600
B) $1,333
C) $1,465
D) $2,000
E) $4,000

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-03 Explain and calculate depreciation for partial years.
Topic : 09-16 Partial-Year Depreciation

71) SportsWorld uses the straight-line depreciation for a piece of equipment that cost $12,000. The asset had a trade-in value of $2,000, and a five-year service life. At the end of the third year, the trade-in value was revised to $1,200 and the useful life increased to a total of 6 years. Calculate the amount of depreciation expense for each of the remaining years of the asset's useful life.

A) $1,000
B) $1,467
C) $1,800
D) $1,600
E) $2,160

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Bloom's : Apply
Learning Objective : 09-04 Explain and calculate revised depreciation.
Topic : 09-17 Revising Depreciation Rates

72) JoyCo acquired equipment on April 1, 2022, at a cost of $90,000 and with an estimated useful life of 10 years. The machine has a residual value of $10,000. JoyCo uses the double-declining-balance method of depreciation. How much depreciation should be recorded by JoyCo for the year ended December 31, 2022?

A) $8,000
B) $9,000
C) $10,000
D) $13,500
E) $12,000

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply

73) SportsWorld bought a new display case for $12,000 and was given a trade-in of $2,000 on an old display case. The old case had an original cost of $7,000 and an accumulated depreciation of $4,000 to the date of trade-in. SportsWorld should record the new display case at:

A) $10,000
B) $10,500
C) $11,500
D) $11,700
E) $12,000

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-22 Exchanging PPE

74) At the end of the year, SportsWorld completed an asset impairment test and noted that a piece of equipment, with a book value of 12,000, has a recoverable value of $2,000. Calculate the amount of impairment loss on the equipment.

A) $2,000
B) $2,160
C) $14,800
D) $12,800
E) $10,000

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-05 Explain and record impairment losses.
Topic : 09-18 Impairment of PPE Assets

75) SportsWorld purchased property for a building site. The costs associated with the property were:

Purchase Price	$175,000
Real Estate Commissions	$15,000
Legal Fees	$800

Expense of clearing land	$2,000
Expense to remove old building	$1,000

What portion of these costs should be allocated to the cost of the land and what portion should be allocated to the cost of the new building?

A) $150,000 to Land; $18,800 to Building
B) $190,000 to Land; $3,800 to Building
C) $190,800 to Land; $3,000 to Building
D) $192,800 to Land; $1,000 to Building
E) $193,800 to Land; $0 to Building

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Topic : 09-06 Land
Difficulty : Hard
Bloom's : Apply
Topic : 09-08 Buildings

76) SportsWorld uses straight-line depreciation for a piece of equipment that cost $12,000. The asset had a salvage value of $2,000, and a five-year service life. At the end of the first year, an impairment loss of $2,000 was recognized on the asset. Calculate the amount of depreciation expense for each of the remaining years of the asset's useful life.

A) $1,500
B) $1,600
C) $2,500
D) $1,800
E) $2,000

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Bloom's : Apply
Learning Objective : 09-04 Explain and calculate revised depreciation.
Topic : 09-17 Revising Depreciation Rates
Learning Objective : 09-05 Explain and record impairment losses.
Topic : 09-18 Impairment of PPE Assets

77) Sports Med sold an X-ray machine that originally cost $100,000 for $60,000. The accumulated depreciation on the machine to the date of sale was $40,000. On this sale, Sports Med should recognize:

A) $0 gain or loss
B) $20,000 gain
C) $25,000 gain
D) $40,000 loss
E) $60,000 gain

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-21 Selling PPE

78) Creek Construction purchased a machine for $26,000. It traded in an old machine and received a $4,200 trade-in allowance. The old machine costs $24,000 and had an accumulated depreciation of $16,000 to the date of trade-in. At what value should the new asset be recorded?

A) $21,800
B) $24,000
C) $26,000
D) $29,800
E) $30,200

Fundamental Accounting Principles Volume II 17th Edition by Larson Ch09

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-22 Exchanging PPE

79) SportsWorld purchased a machine for $190,000. The machine has a useful life of 8 years and a residual value of $10,000. SportsWorld estimates that the machine could produce 750,000 units of product over its useful life. In the first year, 95,000 units were produced. In the second year, production increased to 111,000 units. Using the units-of-production method, what is the amount of depreciation that should be recorded for the second year?

A) $26,640
B) $22,800
C) $28,000
D) $36,000
E) $49,440

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply

80) SportsWorld purchased property for $100,000. The property included a building, parking lot, and land. The building was appraised at $65,000; the land at $40,000; and the parking lot at $10,000. To the nearest dollar, the value of the land to be recorded in the books should be

A) $56,522
B) $40,000
C) $34,783
D) $36,364
E) $48,696

Fundamental Accounting Principles Volume II 17th Edition by Larson Ch09

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Difficulty : Hard
Topic : 09-11 Lump-Sum Asset Purchase
Bloom's : Apply

81) A machine costs $40,000 and had an accumulated depreciation of $30,000. It was traded in on a new machine, which had an estimated 20-year life and a cash price of $50,000. If a $7,000 trade-in allowance was received on the old machine, the new machine should be valued at

A) $10,000
B) $40,000
C) $47,000
D) $50,000
E) $53,000

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-22 Exchanging PPE

82) When originally purchased, a vehicle had a cost of $23,000, with an estimated residual value of $1,500. The estimated useful life is 8 years. After 4 years of straight-line depreciation, the estimated useful life was revised from 8 to 6 years, but with zero residual value. The depreciation expense in year 5 should be

A) $5,543.75
B) $2.687.50
C) $6,125.00
D) $10,750.00
E) $2,856.25

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Bloom's : Apply
Learning Objective : 09-04 Explain and calculate revised depreciation.
Topic : 09-17 Revising Depreciation Rates

83) SportsWorld discarded a display case it had purchased for $8,000. $7,200 in accumulated depreciation had been recorded to the date of sale. SportsWorld should recognize a gain or loss on disposal of

A) $0
B) $800 loss
C) $800 gain
D) $8,000 loss
E) $7,200 loss

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-20 Discarding PPE

84) On April 3, 2022, Rainbow Studios purchased a patent for $56,000. Its remaining legal life is 7 years. Rainbow Studios estimates that the patent will be useful for another 4 years. The correct adjusting entry to record amortization of the patent on December 31, 2022 is

A)

Amortization Expense, Patent	14,000	
Accumulated Amortization, Patent		14,000

B)

Amortization Expense, Patent	8,000	
Accumulated Amortization, Patent		8,000

C)

Amortization Expense, Patent	10,500	
Accumulated Amortization, Patent		10,500

D)

Amortization Expense, Patent	6,000	
Accumulated Amortization, Patent		6,000

E)

Patent	10,500	
Accumulated Amortization, Patent		10,500

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-25 Patents

85) A machine originally had an estimated service life of 5 years, and after 3 years, it was decided that the original estimate should have been for 10 years. The remaining cost to be depreciated should be allocated over the next

A) 2 years
B) 5 years
C) 6 years
D) 7 years
E) 10 years

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-04 Explain and calculate revised depreciation.
Topic : 09-17 Revising Depreciation Rates

86) A change in accounting estimate is

A) Reflected only in current and future financial statements
B) Reflected in current and future financial statements and also requires modification of past statements
C) A change in a calculated amount used in the financial statements resulting from new information or subsequent developments and from better insight or improved judgment
D) Reflected in both current and future financial statements, and a change in a calculated amount is used in the financial statements resulting from new information or subsequent developments and from better insight or improved judgment
E) None of the choices are correct

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Hard
Learning Objective : 09-04 Explain and calculate revised depreciation.
Topic : 09-17 Revising Depreciation Rates

87) Creek Construction owned a bulldozer which was destroyed by fire. The bulldozer originally cost $38,000. The accumulated depreciation recorded to the date of loss was $20,000. The proceeds from the insurance company were $20,000. Creek Construction should recognize

A) A loss of $2,000
B) An expense of $2,000
C) A loss of $38,000
D) A gain of $20,000
E) A gain of $2,000

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-20 Discarding PPE

88) A main accounting issue for property, plant and equipment is

A) The cost of property, plant and equipment
B) Testing property, plant and equipment for impairment
C) Accounting for repairs and improvements to property, plant and equipment
D) Disposal of property, plant and equipment
E) All of the choices are correct

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Topic : 09-01 Property, Plant, and Equipment (PPE)
Bloom's : Remember
Difficulty : Easy

89) If the book value (or carrying amount) of a PPE item is greater than the amount to be recovered through the asset's use or sale, the asset is said to be

A) Exchanged
B) Declined
C) Accumulated
D) Improved
E) Impaired

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Hard
Learning Objective : 09-05 Explain and record impairment losses.
Topic : 09-18 Impairment of PPE Assets

90) Inadequacy refers to

A) The condition where the capacity of a property, plant and equipment asset is too small to meet the company's productive demands
B) An asset that is worn out
C) An asset that is no longer useful
D) The same as obsolescence
E) All of these

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Hard
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-14 Factors in Calculating Depreciation

91) Residual value is

A) The same as an asset's service life
B) The cost of an asset minus its accumulated depreciation
C) An estimate of the asset's value at the end of its useful life
D) Another name for market value
E) All of the choices are correct

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-14 Factors in Calculating Depreciation

92) Once the estimated depreciation for an asset is calculated

A) It cannot be changed due to the historical cost principle
B) It may be revised based on new information
C) Any changes are accumulated and recognized when the asset is sold
D) The estimate itself cannot be changed, however, new information should be disclosed in financial statement footnotes
E) It may be revised based on new information and any changes are accumulated and recognized when the asset is sold

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-04 Explain and calculate revised depreciation.
Topic : 09-17 Revising Depreciation Rates

93) Subsequent capital expenditures

A) Are expenditures making a property, plant and equipment asset more efficient
B) Are often called improvements
C) Are added to the cost of the asset
D) Often extend an asset's useful life
E) All of the choices are correct

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Bloom's : Remember
Difficulty : Easy
Topic : 09-03 Subsequent Expenditures

94) Natural resources

A) Include trees, mineral deposits, and oil and gas fields
B) Are consumed when used
C) Are long-term assets
D) Can be amortized.
E) All of the choices are correct

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-27 Mineral Resources

95) Property, plant and equipment include

A) Land
B) Land improvements
C) Buildings
D) Machinery and equipment
E) All of the choices are correct

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Topic : 09-01 Property, Plant, and Equipment (PPE)
Bloom's : Remember
Difficulty : Easy

96) Intangible assets

A) Are rights, privileges, and competitive advantages to the owner, used in operations, having no physical substance
B) Include patents, leaseholds, and land improvements
C) Can be amortized
D) Are rights, privileges, and competitive advantages to the owner, used in operations, having no physical substance and can be amortized
E) All of the choices are correct

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-23 Intangible Assets

97) Additional subsequent expenditures that result in future economic benefits and can be reliably measured should be treated as a(n)

A) Revenue expenditure
B) Asset expenditure
C) Capital expenditure
D) Contributed capital expenditure
E) Balance sheet expenditure

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Bloom's : Remember
Difficulty : Easy
Topic : 09-03 Subsequent Expenditures

98) Factor(s) that might limit an intangible asset's useful life include

A) Legal
B) Regulatory
C) Contractual
D) Economic
E) All of the choices are correct

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-24 Accounting for Intangible Assets

99) The cost of land can include

A) Purchase price
B) Back property taxes
C) Costs of removing existing buildings
D) Real estate commissions
E) All of the choices are correct

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Bloom's : Remember
Difficulty : Medium
Topic : 09-06 Land

100) Each year goodwill is examined to see if its value has been impaired. If the value has been impaired goodwill will

A) Increase
B) Not change
C) Decrease
D) Be amortized
E) Be depreciated

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-30 Goodwill

101) The formula for calculating straight-line depreciation is

A) Depreciable cost divided by the useful life in years
B) Cost plus residual value divided by the useful life in years
C) Depreciable cost divided by useful life in units
D) Cost divided by useful life in years
E) Cost divided by useful life in units

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-12 Depreciation
Topic : 09-15 Depreciation Methods

102) Ordinary repairs

A) Are expenditures to keep an asset in normal operating condition
B) Do not extend an asset's useful life
C) Do not materially increase the asset's life or productive capabilities
D) Maintain an asset
E) All of these

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Bloom's : Remember
Difficulty : Medium
Topic : 09-02 Cost of PPE

103) The straight-line method and the double-declining-balance method of depreciation

A) Produce the same total depreciation over an asset's useful life
B) Allocate an asset's cost in a systematic and rational manner
C) Do not produce the same book value each year
D) Are both acceptable for GAAP
E) All of the choices are correct

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Hard
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods

104) The appropriate way to amortize goodwill is

A) Straight-line over a maximum of 40 years
B) Straight-line over a maximum of 20 years
C) Double-declining-balance over a period not to exceed 20 years
D) Over the estimated useful life of the goodwill
E) Goodwill is not amortized or depreciated

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-30 Goodwill

105) Legal permissions for the extraction of oil and gas from the earth are known as

A) Trademarks
B) Patents
C) Drilling rights
D) Copyrights
E) Leaseholds

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-27 Mineral Resources

106) An asset can be disposed of by

A) Discarding
B) Selling
C) Exchanging
D) Donating it to charity
E) All of these

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-19 Disposals of PPE

107) Revenue expenditures

A) Are additional costs related to property, plant and equipment that do not materially increase the asset's life
B) Are balance sheet expenditures
C) Extend the asset's useful life
D) Benefit future periods
E) Are debited to asset accounts

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Bloom's : Remember
Difficulty : Easy
Topic : 09-02 Cost of PPE

108) Depreciation is usually recorded

A) From the beginning of the accounting year in which an asset is purchased
B) From the actual date of purchase
C) From the first of the month nearest the actual purchase date
D) From the end of the month nearest the actual purchase date
E) By any of the above methods

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-12 Depreciation
Learning Objective : 09-03 Explain and calculate depreciation for partial years.
Topic : 09-16 Partial-Year Depreciation

109) Land improvements are

A) Assets that increase the usefulness of land, but that have a limited useful life
B) Assets that increase the usefulness of land, and like land are not depreciated
C) Included in the land account
D) Expensed in the period incurred
E) Never depreciated

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Bloom's : Remember
Difficulty : Easy
Topic : 09-07 Land Improvements

110) Which of the following statements is true with respect to intangible assets?

A) Goodwill is an intangible asset that is amortized and tested for impairment.
B) Intangible assets are amortized over a period of 50 years.
C) Intangible assets should be evaluated each year to determine if there has been any impairment in their value.
D) Intangible assets are expensed to income in the year they are acquired.
E) An intangible asset is recorded at market value when the asset is acquired.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-23 Intangible Assets

111) A patent

A) Gives the owner the exclusive right to publish and sell a musical or literary work during the life of the creator plus 50 years
B) Is an exclusive right granted to its owner to manufacture and sell a machine or device, or to use a process, for 20 years
C) Is an exclusive right granted to its owner to manufacture and sell a machine or device, or to use a process, for 50 years
D) The amount by which the value of a company exceeds the fair market value of a company's net assets if purchased separately
E) Gives the owner the exclusive right to publish and sell a musical or literary work during the life of the creator plus 20 years

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-25 Patents

112) A copyright

A) Gives the owner the exclusive right to publish and sell a musical or literary work during the life of the creator plus 50 years
B) Is an exclusive right granted to its owner to manufacture and sell a machine or device, or to use a process, for 20 years
C) Is an exclusive right granted to its owner to manufacture and sell a machine or device, or to use a process, for 50 years
D) The amount by which the value of a company exceeds the fair market value of a company's net assets if purchased separately
E) Gives the owner the exclusive right to publish and sell a musical or literary work during the life of the creator plus 20 years

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-26 Copyrights

113) Capital cost allowance

A) Is the income tax act equivalent of depreciation
B) Is acceptable for financial reporting
C) Is not required for tax reporting
D) Is not used in Canada
E) All of these

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods

114) Depreciation

A) Measures the decline in market value of an asset
B) Measures physical deterioration of an asset
C) Is the process of allocating to expense the cost of property, plant and equipment
D) Is a cause of obsolescence
E) All of these

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-12 Depreciation

115) SportsWorld paid $140,000 for a property. The property included land appraised at $67,500, land improvements appraised at $25,000, and a building appraised at $55,500. What should be the allocation of costs in the accounting records (round calculations to 3 decimals)?

A) Land $62,000; land improvements, $23,000; building, $45,000
B) Land $62,000; land improvements, $23,800; building, $46,200
C) Land $63,840; land improvements, $23,660; building, $52,500
D) Land $79,500; land improvements, $32,600; building, $47,700
E) Land $87,500; land improvements; $35,000; building; $52,500

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Difficulty : Hard
Topic : 09-11 Lump-Sum Asset Purchase
Bloom's : Apply

116) Property, plant and equipment are

A) Tangible assets used in the operation of a business having a useful life of more than one accounting period
B) Current assets
C) Long-term investments
D) Intangible assets used in the operations of a business having a useful life of more than one accounting period
E) Tangible assets used in the operation of business having a useful life of less than one accounting period

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Topic : 09-01 Property, Plant, and Equipment (PPE)
Bloom's : Remember
Difficulty : Easy

117) Treating low-cost asset purchases as expenses is allowed by which principle?

A) Cost
B) Prudence
C) Materiality
D) Matching
E) Timeliness

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Bloom's : Remember
Difficulty : Medium
Topic : 09-05 Low-Cost Asset Purchases

118) The useful life of a property, plant and equipment asset is

A) The length of time it is productively used in a company's operations
B) Another term for its residual value
C) Measured by its potential inadequacy
D) Is impossible to estimate
E) All of the choices are correct

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-14 Factors in Calculating Depreciation

119) Property, plant and equipment are

A) Current assets
B) Used in business operations
C) Natural resources
D) Long-term investments
E) Never depreciated

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Topic : 09-01 Property, Plant, and Equipment (PPE)
Bloom's : Remember
Difficulty : Medium

120) The original cost of an asset minus accumulated depreciation is called

A) Historical cost
B) Book value
C) Present value
D) Current value
E) Replacement cost

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-13 Reporting Depreciation on Assets

121) Obsolescence

A) Occurs when an asset is at the end of its useful life
B) Refers to a condition where a property, plant and equipment asset is no longer useful in producing goods and services
C) Refers to a condition where the capacity of a property, plant and equipment asset is too small to meet the company's productive demands
D) Is the same as inadequacy
E) None of the choices are correct

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Hard
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-14 Factors in Calculating Depreciation

122) A leasehold

A) Is a short-term rental agreement
B) Is not an intangible asset
C) Refers to the rights granted to the lessee by the lessor in a lease
D) Is initially recorded as rent expense
E) Is an investment

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-29 Leaseholds

123) A method that allocates an equal portion of the total depreciation for a property, plant and equipment asset to each accounting period during its useful life is called

A) Accelerated depreciation
B) Double-declining-balance depreciation
C) Straight-line depreciation
D) Units-of-production depreciation
E) Capital cost allowance

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods

124) A method that allocates an equal portion of the total depreciation for a property, plant and equipment asset to each unit produced is called

A) Accelerated depreciation
B) Double-declining-balance depreciation
C) Straight-line depreciation
D) Units-of-production depreciation
E) Capital cost allowance

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods

125) A depreciation method in which a property, plant and equipment asset's depreciation expense for the period is determined by applying a constant depreciation rate each year to the asset's beginning book value is called

A) Book value depreciation
B) Double-declining-balance depreciation
C) Straight-line depreciation
D) Units-of-production depreciation
E) Capital cost allowance

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods

126) A depreciation method that produces larger depreciation charges during the early years of an asset's life and smaller charges in the later years is

A) Accelerated depreciation
B) Book value depreciation
C) Straight-line depreciation
D) Units-of-production depreciation
E) Capital cost allowance

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods

127) CamCo Ltd. leased a floor space in a new office building. Rent will cost $10,000 per month for a ten-year lease, but some renovations are needed and will be paid by CamCo to customize the space. The renovations include installing walls to create a new office and boardroom (cost $8,000), new flooring (cost $5,800), painting (cost $1,500) and updated wiring to accommodate computer servers (cost $8,700). How should these costs be handled for accounting purposes by CamCo?

A) Painting costs should be charged to rent expense and the other costs should be capitalized to leasehold improvements
B) They should all be capitalized as leasehold improvements
C) They should all be charged to rent expense
D) They should be capitalized as development costs
E) Painting costs should be capitalized to leasehold improvements and other costs should be charged to rent expense

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Bloom's : Remember
Difficulty : Medium
Topic : 09-09 Leasehold Improvements

128) Intangible assets do not include

A) Patents
B) Copyrights
C) Trademarks
D) Goodwill
E) Leaseholds

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-23 Intangible Assets

129) The relevant factor(s) in calculating depreciation is(are)

A) Cost
B) Residual value
C) Useful life
D) Both cost and useful life
E) All of these

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-14 Factors in Calculating Depreciation

130) August Co. bought land for a warehouse for $70,000. This land contains an old garage that is removed at a cost of $5,000. Closing costs include legal fees of $1,000 and brokerage fees of $ 2,000. The cost of the land will be

A) $70,000
B) $78,000
C) $75,000
D) $76,000
E) $73,000

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Difficulty : Medium
Topic : 09-06 Land
Bloom's : Apply

131) June Co. bought land for a retail store for $80,000. This land contains an old structure that is removed at a cost of $10,000.
June Co. spends $10,000 for a parking lot and $3,000 for fencing around the property.
Which of the following is correct?

A) The cost of the land is $90,000 and the cost of the land improvements is $13,000
B) The cost of the land is $80,000 and the cost of the land improvements is $13,000.
C) The cost of the land is $80,000 and the cost of the land improvements is $23,000
D) The cost of the land is $80,000 and the cost of the land improvements is $10,000
E) The cost of the land is $90,000 and the cost of the land improvements is $10,000

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Difficulty : Medium
Topic : 09-06 Land
Topic : 09-07 Land Improvements
Bloom's : Apply

132) July Enterprises purchased equipment on March 1, 2022, for $75,000. The company also paid the following amounts: $500 for freight charges; $2,100 to train employees to use the new equipment; and $2,800 for testing and installation. The equipment will be depreciated on a straight-line basis over 10 years. At December 31, 2022, July will have depreciation expense for the equipment in the amount of

A) $7,830
B) $6,525
C) $8,040
D) $6,700
E) $6,250

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-12 Depreciation
Bloom's : Apply
Topic : 09-10 Machinery and Equipment

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133) A machine originally had an estimated useful life of 11 years, but after 3 complete years, it was decided that the original estimate of useful life should have been 15 years. At that point the remaining cost to be depreciated should be allocated over the remaining:

A) 7 years.
B) 15 years.
C) 8 years.
D) 11 years.
E) 12 years.

Question Details
Bloom's : Apply
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
Gradable : automatic
Topic : 09-16 Partial-Year Depreciation
Learning Objective : 09-03 Explain and calculate depreciation for partial years.

134) When originally purchased, a vehicle costing $23,940 had an estimated useful life of 8 years and an estimated salvage value of $2,100. After 4 years of straight-line depreciation, the asset's total estimated useful life was revised from 8 years to 6 years and there was no change in the estimated salvage value. The depreciation expense in year 5 equals:

A) $2,730.00.
B) $2,898.00.
C) $5,628.00.
D) $10,920.00.
E) $5,460.00.

Question Details
Bloom's : Apply
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
Gradable : automatic
Topic : 09-16 Partial-Year Depreciation
Learning Objective : 09-03 Explain and calculate depreciation for partial years.

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135) A company used straight-line depreciation for an item of equipment that cost $20,300, had a salvage value of $5,600 and a six-year useful life. After depreciating the asset for three complete years, the salvage value was reduced to $2,030 but its total useful life remained the same. Determine the amount of depreciation to be charged against the equipment during each of the remaining years of its useful life:

A) $1,470.
B) $7,957.
C) $5,040.
D) $3,640.
E) $5,600.

Question Details
Bloom's : Apply
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
Gradable : automatic
Topic : 09-16 Partial-Year Depreciation
Learning Objective : 09-03 Explain and calculate depreciation for partial years.

136) Beckman Enterprises purchased a depreciable asset on October 1, Year 1 at a cost of $160,000. The asset is expected to have a salvage value of $16,500 at the end of its five-year useful life. If the asset is depreciated on the double-declining-balance method, the asset's *book value* on December 31, Year 2 will be:

A) $31,320
B) $144,000
C) $46,980
D) $86,400
E) $34,560

Question Details
Bloom's : Apply
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Gradable : automatic

137) Peavey Enterprises purchased a depreciable asset for $31,500 on April 1, Year 1. The asset will be depreciated using the straight-line method over its four-year useful life. Assuming the asset's salvage value is $3,900, what will be the amount of *accumulated depreciation* on this asset on December 31, Year 3?

A) $23,000
B) $5,750
C) $18,975
D) $27,600
E) $6,900

Question Details
Bloom's : Apply
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Gradable : automatic

138) Peavey Enterprises purchased a depreciable asset for $31,500 on April 1, Year 1. The asset will be depreciated using the straight-line method over its four-year useful life. Assuming the asset's salvage value is $3,900, Peavey Enterprises should recognize *depreciation expense* in Year 2 in the amount of:

A) $6,900.00
B) $26,450.00
C) $27,600.00
D) $7,875.00
E) $5,750.00

Question Details
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Gradable : automatic

139) The following information is available on a depreciable asset:

Purchase date	January 1, Year 1
Purchase price	$82,000
Salvage value	$10,000
Useful life	10 years
Depreciation method	straight-line

The asset's book value is $67,600 on January 1, Year 3. On that date, management determines that the asset's salvage value should be $5,000 rather than the original estimate of $10,000. Based on this information, the amount of *depreciation expense* the company should recognize during Year 3 would be:

A) $6,260.00
B) $7,825.00
C) $7,200.00
D) $8,450.00
E) $6,760.00

Question Details
Bloom's : Apply
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
Gradable : automatic
Topic : 09-16 Partial-Year Depreciation
Learning Objective : 09-03 Explain and calculate depreciation for partial years.

140) Merchant Company purchased land for a building site. The costs associated with the property were:

Purchase price	$ 182,000
Real estate commissions	15,700
Legal fees	1,500
Expenses of clearing the land	2,700

What is the total recorded cost of the land?

A) $201,900
B) $197,700
C) $199,200
D) $182,000
E) $185,500

Question Details
Bloom's : Apply
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Topic : 09-06 Land
Gradable : automatic

141) A company purchased property for $100,000. The property included a building, a parking lot, and land. The building was appraised at $53,500; the land at $51,800, and the parking lot at $19,700. Land should be recorded in the accounting records with an allocated cost of:

A) $47,440.
B) $100,000.
C) $51,800.
D) $0.
E) $41,440.

Question Details
Bloom's : Apply
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Topic : 09-06 Land
Gradable : automatic

142) A company purchased a delivery van for $27,700 with a salvage value of $3,100 on October 1, Year 1. It has an estimated useful life of 6 years. Using the straight-line method, how much depreciation expense should the company recognize on December 31, Year 1?

A) $4,617.
B) $1,025.
C) $1,539.
D) $4,100.
E) $85.

Question Details
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Gradable : automatic

143) Marlow Company purchased a point of sale system on January 1 for $6,500. This system has a useful life of 5 years and a salvage value of $950. What would be the *depreciation expense* for the second year of its useful life using the double-declining-balance method?

A) $2,600.
B) $2,220.
C) $1,560.
D) $1,110.
E) $1,496.

Question Details
Bloom's : Apply
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Gradable : automatic

144) A company purchased a weaving machine for $307,320. The machine has a useful life of 8 years and a salvage value of $17,000. It is estimated that the machine could produce 764,000 bolts of woven fabric over its useful life. In the first year, 112,000 bolts were produced. In the second year, production increased to 116,000 units. Using the units-of-production method, what is the amount of *depreciation expense* that should be recorded for the second year?

A) $44,080.
B) $42,560.
C) $86,640.
D) $46,661.
E) $45,052.

Question Details
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Gradable : automatic

145) An asset's book value is $19,900 on December 31, Year 5. Assuming the asset is sold on December 31, Year 5 for $13,100, the company should record:

A) Neither a gain nor a loss is recognized on this transaction.
B) A loss on sale of $12,550.
C) A gain on sale of $6,800.
D) A gain on sale of $12,550.
E) A loss on sale of $6,800.

Question Details
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-22 Exchanging PPE
Gradable : automatic

146) An asset's book value is $25,200 on January 1, Year 6. The asset is being depreciated $350 per month using the straight-line method. Assuming the asset is sold on July 1, Year 7 for $17,900, the company should record:

A) Neither a gain or loss is recognized on this type of transaction.
B) A gain on sale of $1,000.
C) A loss on sale of $500.
D) A gain on sale of $500.
E) A loss on sale of $1,000.

Question Details
Bloom's : Apply
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-22 Exchanging PPE
Gradable : automatic

147) A company sold equipment that originally cost $160,000 for $96,000 cash. The accumulated depreciation on the equipment was $64,000. The company should recognize a:

A) $0 gain or loss.
B) $32,000 gain.
C) $64,000 loss.
D) $32,000 loss.
E) $96,000 gain.

Question Details
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-22 Exchanging PPE
Gradable : automatic

148) A company discarded a computer system originally purchased for $8,000. The accumulated depreciation was $7,200. The company should recognize a (an):

A) $0 gain or loss.
B) $800 loss.
C) $800 gain.
D) $8,000 gain.
E) $7,200 loss.

Question Details
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-21 Selling PPE
Gradable : automatic

149) A company sold a tractor that originally cost $137,000 for $32,000 cash. The accumulated depreciation on the tractor was $70,800. The company should recognize:

A) A loss of $34,200.
B) A gain of $34,200.
C) A loss of $32,000.
D) A gain of $66,200.
E) A gain of $32,000.

Question Details
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-22 Exchanging PPE
Gradable : automatic

150) A company purchased a tract of land for its natural resources at a cost of $1,500,000. It expects to mine 2,000,000 tons of ore from this land. The salvage value of the land is expected to be $250,000. The depletion expense per ton of ore is:

A) $8.000.
B) $0.750.
C) $0.875.
D) $6.000.
E) $0.625.

Question Details
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-25 Patents
Gradable : automatic

151) A company's old machine that cost $51,000 and had accumulated depreciation of $39,900 was traded in on a new machine having an estimated 20-year life with an invoice price of $62,100. The company also paid $52,900 cash, along with its old machine to acquire the new machine. If this transaction has commercial substance, the new machine should be recorded at:

A) $11,100.
B) $51,000.
C) $64,000.
D) $60,200.
E) $62,100.

Question Details
Bloom's : Apply
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-21 Selling PPE
Gradable : automatic

152) Hunter Sailing Company exchanged an old sailboat for a new one. The old sailboat had a cost of $250,000 and accumulated depreciation of $150,000. The new sailboat had an invoice price of $263,000. Hunter received a trade in allowance of $116,000 on the old sailboat, which meant the company paid $147,000 in addition to the old sailboat to acquire the new sailboat. If this transaction has commercial substance, what amount of gain or loss should be recorded on this exchange?

A) $116,000 gain
B) $0 gain or loss
C) $16,000 gain
D) $16,000 loss
E) $100,000 loss

Question Details
Bloom's : Apply
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-21 Selling PPE
Gradable : automatic

153) Cliff Company traded in an old truck for a new one. The old truck had a cost of $83,000 and accumulated depreciation of $66,400. The new truck had an invoice price of $133,000. Huffington was given a $13,280 trade-in allowance on the old truck, which meant they paid $119,720 in addition to the old truck to acquire the new truck. If this transaction has commercial substance, what is the recorded value of the new truck?

A) $16,600
B) $83,000
C) $119,720
D) $133,000
E) $136,320

Question Details
Bloom's : Apply
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-21 Selling PPE
Gradable : automatic

154) A company bought a new $56,000 heating system. The company paid $53,400 cash and was given a trade-in of $2,600 on an old heating system. The old system had an original cost of $50,200 and accumulated depreciation of $45,800. If the transaction has commercial substance, the company should record the new heating system at:

A) $2,600.
B) $4,400.
C) $53,400.
D) $56,000.
E) $57,800.

Question Details
Bloom's : Apply
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-21 Selling PPE
Gradable : automatic

155) A company purchased equipment valued at $243,000. It traded in old equipment for a $180,000 trade-in allowance and the company paid $63,000 cash with the trade-in. The old equipment cost $220,000 and had accumulated depreciation of $44,000. This transaction has commercial substance. What is the recorded value of the new equipment?

A) $176,000.
B) $180,000.
C) $63,000.
D) $239,000.
E) $243,000.

Question Details
Bloom's : Apply
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-21 Selling PPE
Gradable : automatic

156) Granite Company purchased a machine costing $136,220. Granite paid freight charges of $3,900. The machine requires special mounting and wiring connections costing $11,900. When installing the machine, $3,400 in damages occurred. Compute the cost recorded for this machine.

A) $151,520.
B) $152,220.
C) $152,020.
D) $161,400.
E) $136,220.

Question Details
Bloom's : Apply
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Gradable : automatic
Topic : 09-03 Subsequent Expenditures

157) Wickland Company installs a manufacturing machine in its production facility at the beginning of the year at a cost of $156,000. The machine's useful life is estimated to be 5 years, or 180,000 units of product, with a $4,000 salvage value. During its second year, the machine produces 28,800 units of product. Determine the machines' second year depreciation under the straight-line method.

A) $24,320.
B) $30,400.
C) $31,200.
D) $24,960.
E) $32,000.

Question Details
Bloom's : Apply
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Gradable : automatic

158) Wickland Company installs a manufacturing machine in its production facility at the beginning of the year at a cost of $117,000. The machine's useful life is estimated to be 10 years, or 130,000 units of product, with a $3,000 salvage value. During its second year, the machine produces 10,400 units of product. Determine the machines' second year depreciation under the units-of-production method. **(Do not round intermediate calculations.)**

A) $9,120.
B) $11,400.
C) $11,700.
D) $9,360.
E) $12,000.

Question Details
Bloom's : Apply
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Gradable : automatic

159) Phoenix Agency leases office space. On January 3, Phoenix incurs $66,500 to improve the leased office space. These improvements are expected to yield benefits for 7 years. Phoenix has 5 years remaining on its lease. Compute the amount of amortization expense that should be recorded the first year related to the improvements.

A) $7,800.
B) $17,300.
C) $21,100.
D) $9,500.
E) $13,300.

Question Details
Bloom's : Apply
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Topic : 09-09 Leasehold Improvements
Gradable : automatic

160) Crestfield leases office space. On January 3, the company incurs $38,000 to improve the leased office space. These improvements are expected to yield benefits for 5 years. Crestfield has 2 years remaining on its lease. What journal entry would be needed to record the expense for the first year related to the improvements?

A) Debit Amortization Expense—Leasehold Improvements $7,600; credit Accumulated Amortization—Leasehold Improvements $7,600.
B) Debit Depletion Expense $19,000; credit Accumulated Depletion $19,000.
C) Debit Depreciation Expense $7,600; credit Accumulated Depreciation $7,600.
D) Debit Depletion Expense $38,000; credit Accumulated Depletion $38,000.
E) Debit Amortization Expense—Leasehold Improvements $19,000; credit Accumulated Amortization—Leasehold Improvements $19,000.

Question Details
Bloom's : Apply
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Topic : 09-09 Leasehold Improvements
Gradable : automatic

161) Nike owns equipment that cost $95,300 with accumulated depreciation of $65,200. Nike asks $35,450 for the equipment but sells the equipment for $33,300. Compute the amount of gain or loss on the sale.

A) $3,200 loss.
B) $2,150 gain.
C) $3,200 gain.
D) $5,350 gain.
E) $5,350 loss.

Question Details
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-22 Exchanging PPE
Gradable : automatic

162) Gaston owns equipment that cost $34,000 with accumulated depreciation of $17,000. Gaston sells the equipment for $15,300. Which of the following would *not* be part of the journal entry to record the disposal of the equipment?

A) Debit Accumulated Depreciation $17,000.
B) Credit Equipment $34,000.
C) Debit Loss on Disposal of Equipment $1,700.
D) Credit Gain on Disposal of Equipment $1,700.
E) Debit Cash $15,300.

Question Details
Bloom's : Apply
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-22 Exchanging PPE
Gradable : automatic

163) Riverboat Adventures pays $370,000 plus $12,000 in closing costs to purchase real estate. The real estate consists of land appraised at $72,000, a building appraised at $128,000, and land improvements appraised at $200,000. Compute the cost that should be allocated to the building.

A) $122,240.
B) $118,400.
C) $128,000.
D) $186,240.
E) $64,000.

Question Details
Bloom's : Apply
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Topic : 09-11 Lump-Sum Asset Purchase
Gradable : automatic

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164) Mohr Company purchases a machine at the beginning of the year at a cost of $27,000. The machine is depreciated using the straight-line method. The machine's useful life is estimated to be 8 years with a $5,000 salvage value. Depreciation expense in year 2 is:

A) $3,375.
B) $2,750.
C) $6,750.
D) $22,000.
E) $0.

Question Details
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Gradable : automatic

165) Mohr Company purchases a machine at the beginning of the year at a cost of $34,000. The machine is depreciated using the straight-line method. The machine's useful life is estimated to be 8 years with a $4,000 salvage value. The book value of the machine at the end of year 2 is:

A) $3,750.
B) $7,500.
C) $22,500.
D) $26,500.
E) $30,000.

Question Details
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Gradable : automatic

166) Mohr Company purchases a machine at the beginning of the year at a cost of $38,000. The machine is depreciated using the double-declining-balance method. The machine's useful life is estimated to be 5 years with a $7,000 salvage value. Depreciation expense in year 2 is:

A) $7,600.
B) $12,400.
C) $15,200.
D) $9,120.
E) $22,800.

Question Details
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Gradable : automatic

167) Mohr Company purchases a machine at the beginning of the year at a cost of $29,000. The machine is depreciated using the double-declining-balance method. The machine's useful life is estimated to be 5 years with a $7,000 salvage value. The machine's book value at the end of year 2 is:

A) $13,200.
B) $10,000.
C) $11,600.
D) $10,440.
E) $17,400.

Question Details
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Gradable : automatic

168) Mohr Company purchases a machine at the beginning of the year at a cost of $44,000. The machine is depreciated using the units-of-production method. The company estimates it will use the machine for 5 years, during which time it anticipates producing 82,000 units. The machine is estimated to have a $3,000 salvage value. The company produces 10,700 units in year 1 and 7,700 units in year 2. Depreciation expense in year 2 is:

A) $3,000.
B) $8,200.
C) $17,600.
D) $3,850.
E) $26,400.

Question Details
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Gradable : automatic

169) Martin Company purchases a machine at the beginning of the year at a cost of $72,000. The machine is depreciated using the straight-line method. The machine's useful life is estimated to be 5 years with a $5,000 salvage value. Depreciation expense in year 4 is:

A) $14,400.
B) $13,400.
C) $67,000.
D) $57,600.
E) $0.

Question Details
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Gradable : automatic

170) Martin Company purchases a machine at the beginning of the year at a cost of $68,000. The machine is depreciated using the straight-line method. The machine's useful life is estimated to be 5 years with a $8,000 salvage value. The book value of the machine at the end of year 5 is:

A) $12,000.
B) $60,000.
C) $27,200.
D) $8,000.
E) $0.

Question Details
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Gradable : automatic

171) Martin Company purchases a machine at the beginning of the year at a cost of $155,000. The machine is depreciated using the double-declining-balance method. The machine's useful life is estimated to be 4 years with a $12,900 salvage value. Depreciation expense in year 4 is:

A) $35,588.
B) $9,688.
C) $77,500.
D) $6,475.
E) $12,950.

Question Details
Bloom's : Apply
Difficulty : 3 Hard
Accessibility : Keyboard Navigation
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Gradable : automatic

172) Martin Company purchases a machine at the beginning of the year at a cost of $85,000. The machine is depreciated using the double-declining-balance method. The machine's useful life is estimated to be 4 years with a $7,000 salvage value. The machine's book value at the end of year 3 is:

A) $42,500.
B) $63,750.
C) $74,375.
D) $10,625.
E) $9,719.

Question Details
Bloom's : Apply
Accessibility : Keyboard Navigation
Difficulty : 2 Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Gradable : automatic

SHORT ANSWER. Write the word or phrase that best completes each statement or answers the question.

173) High Quality Company's president would like to set up an amount of goodwill on its balance sheet as an intangible asset for 2022. The president believes that this internally created goodwill in the amount of $1,500,000 is justified as the company has been in business for over five years and has excellent competitive advantages including superior products, skilled workforce and customer loyalty. What will you tell the president?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-30 Goodwill

174) Deep Mining Company estimates that there will be 250,000 tons of available iron ore to be mined in a mineral deposit purchased for $1,100,000. Salvage value is expected to be $100,000.
If 90,000 tons are mined and sold in 2022, what is total depletion charge for the year?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Bloom's : Apply
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-27 Mineral Resources

175) Discuss the four issues in accounting for property, plant and equipment.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Topic : 09-01 Property, Plant, and Equipment (PPE)
Bloom's : Remember
Difficulty : Medium

176) Explain the difference between revenue and capital expenditures and how they are recorded in the accounting system.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Bloom's : Remember
Difficulty : Medium
Topic : 09-02 Cost of PPE

177) Mandy Manufacturing purchased a machine on August 1, 2021, and it was installed and ready to run on January 1, 2022. The following costs were incurred in the purchase and installation of the machine.

Invoice Price	$1,400,000
Freight costs	8,000
Purchase discount	3,000
Installation costs	68,000
Electrical and power connections	33,000
Repairs to correct damage incurred during uncrating	13,000
Adjustments costs	46,000
Spare parts for future use	26,000
Provincial sales tax	84,000
Fines incurred during the transport and uploading of the machine	100
Cost of special foundation for the machine	7,000

Calculate the depreciable cost of the machine.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Difficulty : Medium
Bloom's : Apply
Topic : 09-10 Machinery and Equipment

178) Primadonna Company paid $870,000 plus $10,000 in legal costs for a parcel of real estate. This included land appraised at $450,000; land improvements appraised at $170,000; and a building appraised at $380,000. The plan is to use the building as a manufacturing plant. Determine the amounts that should be debited to:

(a) Land	$ __________
(b) Land Improvements	$ __________
(c) Building	$ __________

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Difficulty : Medium
Topic : 09-11 Lump-Sum Asset Purchase
Bloom's : Apply

179) Prepare journal entries to record the following transactions of Salem Sales Co. during the current year:

Mar 1	Purchased a truck for $60,000 with a 6 year useful life and a $10,000 residual value. Salem also paid 7% provincial sales tax, a $500 annual truck license, $4,000 to paint the truck and $2,300 for spare parts. All payments were in cash.
Mar 12	Purchased a garage from a neighbouring business with a $60,000 note payable. The seller's book value for the garage was $57,000 and the garage was appraised at $68,000. The estimated useful life is 12 years. Salem also paid a $4,000 cash for real estate commission.
June 5	Paid $750 to replace garage windows broken during a hail storm.
Aug 23	Purchase used office equipment for $13,500 plus provincial sales tax of $945 terms 2/10, n 30 from Great West Office Supplies. As well, Salem paid freight of $300 and reconditioning cost of $850 on credit. Estimated useful life of 4 years and a residual value of $1,000.
Sept 12	Paid for office equipment purchased on August 23'd.
Oct 5	Purchased store equipment for $28,000 plus $1,960 in provincial sales tax. As well, Salem paid $1,750 for repairs incurred from an accident during installation. $5,200 for a special base for the equipment and $3,700 of supplies to be used for regular preventive maintenance. Estimated useful life is 9 years and residual value is $1,300.

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Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Difficulty : Medium
Bloom's : Apply
Topic : 09-10 Machinery and Equipment

180) Shady Lanes installed automatic sprinkler systems. The electrical work for the installation was $24,000. The invoice price of the sprinkler equipment was $280,000. Additional costs were $5,000 for delivery and $800 for insurance during transportation. During installation a sprinkler line was punctured and was replaced for $200. What is the cost of the sprinkler equipment?

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Difficulty : Medium
Bloom's : Apply
Topic : 09-10 Machinery and Equipment

181) Timing Investments purchased land with a building for a total cost of $6,000,000 ($500,000 paid in cash and the balance on a long-term note). The appraised cost of the land and building were $3,510,000 and $1,890,000, respectively. Calculate the costs to be allocated to the land and the building and prepare the appropriate journal entry to record the acquisition.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Difficulty : Medium
Topic : 09-11 Lump-Sum Asset Purchase
Bloom's : Apply

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182) Honey Crisp Co needed a new building, and found a suitable piece of land which had an old building on it. Honey Crisp made an agreement to buy the land and the building for $860,000 cash. The old building was demolished to make way for the new building. The following is information regarding the demolishing of the old building and construction of the new one:

Cost of construction of new building, including $600,000 for a parking lot	5,260,000
Demolition of old building	150,000
Proceeds from salvage materials	20,000

Prepare a single journal entry to record the above cost (assume paid cash).

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Difficulty : Medium
Topic : 09-06 Land
Bloom's : Apply

183) Prime Co paid $200,000 to purchase a piece of land on which to build a new building. Additional costs incurred were:

Real estate broker’s commissions	$10,800
Legal fees of purchasing the real estate	1,400
Landscaping expenses	6,000
Expense to demolish old house located on land	1,500
Proceeds from selling materials salvaged from old house	900

What dollar amount of the above costs should be allocated to Land and what amount should be allocated to the new Building?

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Difficulty : Medium
Topic : 09-06 Land
Bloom's : Apply

184) ACS Company made the following expenditures in connection with the construction of its new cross fit facility:

Architect’s fees	9,000
Cash paid for land and old building	140,000
Removal of old building	20,000
Survey to site the new building	(8,000)
Legal fees for title search	1,000
Excavation for construction of basement	2,500
Machinery purchased	72,000
Storage charges on machinery because building was not ready when machinery was delivered	600
Freight on machinery purchased	2,000
Hauling charges to deliver machinery from storage to new building	800
Construction costs of new building	615,000
Landscaping	7,050
Installation of machinery	9,000

Prepare a schedule showing the amounts to be recorded as Land, Building, and Machinery and Equipment and Expenses.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Difficulty : Hard
Bloom's : Apply
Topic : 09-08 Buildings

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185) How is the cost principle applied to property, plant and equipment?

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Bloom's : Remember
Difficulty : Medium
Topic : 09-02 Cost of PPE

186) RoboCop Company paid $31,400 for a machine that was expected to last 5 years and have a residual value of $5,000. During the third year of the machine's life, $3,700 was paid for replacement parts that were expected to increase the machine's productivity by 20% each year. Prepare the general journal entry to record this transaction.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Difficulty : Easy
Bloom's : Apply
Topic : 09-10 Machinery and Equipment

187) RoboCop Company paid $31,400 for a machine that was expected to last 5 years and have a residual value of $5,000. During the fourth year of the machine's life, $5,400 was paid for repairs that were expected to increase the service life of the machine from 5 to 7 years. Prepare the general journal entry to record this transaction.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Difficulty : Easy
Bloom's : Apply
Topic : 09-10 Machinery and Equipment

188) Xeno Co. incurred the following transactions concerning its machinery:

Jan 1, 2021	Purchased a machine for $60,000 cash, and also paid $3,000 cash to have it installed. Estimated useful life is 10 years and residual value is $3,000. Straight line depreciation is used.
Jan 1, 2022	The machine's useful life was changed from 10 years to 9.
Jan 8, 2023	Paid $3,800 to replace a motor in the machine. This was considered a major overhaul.

Xeno Co uses the calendar year as its fiscal year. Prepare the journal entry to record depreciation expense for 2021, 2022 and 2023. Round all values to the nearest dollar.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply

189) On January 1, 2019, Friar Company purchased a machine for $180,000 that was expected to last 6 years and have a residual value of $16,000. On January 4, 2022, Friar Company paid $25,000 for improvements to the machine, which increased the total estimated useful life from 6 to 10 years and increased the residual value to $19,500. Friar uses straight-line depreciation. (1) What account should be debited in the journal entry to record the $25,000 improvements? (2) What amount of depreciation expense should be recorded for 2022?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply

190) Explain depreciation and the elements affecting its calculation.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-14 Factors in Calculating Depreciation

191) Compare the three different depreciation methods: straight-line, units of production, and double-declining balance.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods

192) Explain how each of the following depreciation methods is calculated: straight-line, units-of-production, and double-declining-balance.

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Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Hard
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods

193) Chervinski Industries recently paid $560,000 to buy a building that has an estimated useful life of 40 years and a residual value of $116,000. Calculate the depreciation expense for the third year after acquisition using double-declining-balance depreciation. Assume a full year of depreciation in the first year.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply

194) Dersch Co. purchased a machine on January 1, 2019, for $2,500,000. Using the table below, calculate the annual depreciation expense for each year of the machine's life (estimated at 5 years or 50,000 hours with a residual value of $150,000). During the machine's life, it was used 15,000; 14,000; 10,000; 9,000; and 6,000 hours.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply

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195) Twilight Manufacturing's property, plant and equipment records reveal the following information:

Equipment	Cost	Residual Value	Purchase Date	Depreciation Method	Estimated Useful Life	Units Produced in 2014
(1)	60,000	12,000	December 1, 2019	Straight Line	5 years	2,000
(2)	70,000	8,000	October 18, 2020	Units of Production	50,000 units	5,000
(3)	130,000	-	June 12, 2020	Double Declining Balance	10 years	6,000
(4)	100,000	10,000	May 3, 2020	Straight Line	8 Years	8,000

Calculate the depreciation expense for each equipment item for the year ended December 31, 2020, using the nearest whole month method.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply

196) Voltarin Co purchased a machine for $625,000 on November 2, 2022. The company expects the machine to last for 10 years or 50,000 hours of operation, with an estimated residual value of $15,000. During 2022 the computer was operated for 3,000 hours, while in 2023 it was operated for 2,600 hours. Calculate the depreciation expense for the computer for 2022 and 2023 using the following depreciation methods:

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

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply

197) On January 1, 2022 a machine costing $330,000 with a 4-year service life and an estimated $3,000 residual value was purchased. It was also estimated that the machine would produce 50,000 units during its life. The actual units produced during its first 2 years of operation were 9,000 and 10,000 respectively. Calculate the amount of depreciation expense for the 2022 and 2023 under each of the following assumptions:

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

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply

198) Fisherman Company purchased a light truck on October 1, 2022 at a cost of $72,000. The truck is expected to last six years and have a residual value of $5,200. Fisherman Company uses the calendar year as their fiscal year, and the nearest whole month method for depreciation.
(a) What is the depreciation expense for 2022, assuming the straight-line method is used?
(b) What is the depreciation expense for 2023, assuming the double-declining-balance method at twice the straight-line rate is used?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply
Learning Objective : 09-03 Explain and calculate depreciation for partial years.
Topic : 09-16 Partial-Year Depreciation

199) A new machine is expected to produce 60,000 units of product during its 5-year life. The machine cost $180,000 and is estimated to have a $20,000 residual value. If the machine produces 7,200 units of product during its first year, what is the depreciation for the year calculated by the units-of-production method (round rate to 2 decimals)?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply

200) A new machine is expected to produce 40,000 units of product during its 5-year life. The machine cost $180,000 and is estimated to have a $20,000 residual value. If depreciation on the machine is calculated by the double-declining-balance method, what is the depreciation for the first year?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply

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201) A new machine is expected to produce 40,000 units of product during its 5-year life. The machine cost $38,000 and is estimated to have a $6,000 residual value. What is the first year's depreciation on the machine calculated by the straight-line method?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply

202) On January 1, 2022, Swooper Corp acquired and placed in service a plane at a cost of $10,000,000. The plane's service life and residual value were estimated at 5 years and $1,500,000, respectively. Assume the company earns $3,200,000 each year before depreciation and taxes. Calculate depreciation for 2020-2024, assuming the following alternative depreciation methods are used.
(a) The straight-line method of depreciation.
(b) The double declining balance method of depreciation.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply

203) On July 1, 2022, Suntera Corp. purchased and placed in service a machine with a cost of $460,000. Suntera estimated the service life to be 5 years or 30,000 units of output, with an estimated residual value of $6,000. During 2020, 2,600 units were produced.
(a) The straight-line method of depreciation
(b) The units-of-production method of depreciation

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Learning Objective : 09-03 Explain and calculate depreciation for partial years.
Topic : 09-16 Partial-Year Depreciation

204) On July 1, 2022, Delta Company purchased and placed in service a machine with a cost of $460,000. Delta estimated the service life to be 6 years or 60,000 units of output, with an estimated residual value of $80,000. During 2022, 15,000 units were produced. Prepare the necessary December 31, 2022, adjusting journal entry to record depreciation for 2020 assuming Delta uses the double-declining-balance method to the nearest whole month. Round all calculations to 4 decimals.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply
Learning Objective : 09-03 Explain and calculate depreciation for partial years.
Topic : 09-16 Partial-Year Depreciation

205) On September 30, 2022, Sarina Industries acquired and placed in service a machine that cost $950,000. It was estimated that the machine has a service life of five years and a residual value of $77,566. Using the double-declining-balance method of depreciation, prepare a schedule showing the depreciation amounts for the years 222 through 2027 (use the nearest whole month method and round answers to the nearest dollar). Sarina closes its books on December 31 of every year.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply
Learning Objective : 09-03 Explain and calculate depreciation for partial years.

206) Ad Hock had the following property, plant and equipment purchases during 2022:

(1) On April 4, equipment costing $250,000 with a 5-year service life and an estimated $40,000 residual value was purchased.
(2) On October 4, a machine costing $330,000 with a 5-year service life and an estimated $50,000 residual value was purchased. Assuming Ad Hock has a December 31 year end, prepare the necessary adjusting journal entries at December 31, 2022 to record depreciation under the following depreciation methods (using the nearest whole month method):

(a) Straight-line
(b) Double-declining-balance

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply
Learning Objective : 09-03 Explain and calculate depreciation for partial years.
Topic : 09-16 Partial-Year Depreciation

207) On January 1, 2022, Boone Company purchased a machine for $75,000 that had a 6-year life and a residual value of $6,000. After 3 years of use, on January 1, 2025, Boone Company paid $7,500 to improve the efficiency of the machine. The effect of the expenditure was to increase the productivity of the machine without increasing its remaining useful life or changing its residual value. Boone uses straight-line depreciation.
(1) What account should be debited in recording the $7,500 expenditure?
(2) What amount of depreciation expense should be reported for 2025?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply
Learning Objective : 09-04 Explain and calculate revised depreciation.
Topic : 09-17 Revising Depreciation Rates

208) Explain (1) depreciation for partial years and (2) revision of depreciation when estimates change.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Hard
Learning Objective : 09-03 Explain and calculate depreciation for partial years.
Topic : 09-16 Partial-Year Depreciation

209) A machine was purchased for $37,000 and depreciated for 5 years on a straight-line basis under the assumption it would have a 10-year life and a $1,000 residual value. At the beginning of the machine's sixth year, it was recognized that it had 3 years of remaining life left, instead of five, and that at the end of the 3 years its residual value would be $1,600. What should the annual depreciation be for the machine's remaining years?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply
Learning Objective : 09-04 Explain and calculate revised depreciation.
Topic : 09-17 Revising Depreciation Rates

210) On January 1, 2022, Bailey Company purchased a machine for $106,000 that was expected to last five years and has a residual value of $6,000. At the beginning of 2025, Bailey decided that the machine's estimated useful life should be revised to a total of 6 years instead of 5. Also, the residual value was now estimated to be $5,500. Straight-line depreciation was used. Calculate the depreciation expense for 2025.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply
Learning Objective : 09-04 Explain and calculate revised depreciation.
Topic : 09-17 Revising Depreciation Rates

211) Wildway Company purchased a heating system on January 2, 2010, for $425,000. The system had an estimated useful life of 15 years, with no residual value. On January 2, 2022, the company completed a complete renovation of the system at a cost of $43,000 cash, and now expects the system to last 5 years beyond the original estimate. The company uses the straight-line method of depreciation.**Required:**

a) Prepare the journal entry on January 2, 2022 for the renovation of the heating system
b) Calculate the revised annual depreciation expense after the system renovation and prepare the entry to record the depreciation expense on December 31, 2022.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply
Learning Objective : 09-04 Explain and calculate revised depreciation.
Topic : 09-17 Revising Depreciation Rates

212) FNT Company purchased land and a building on January 1, 2023, at a cost of $950,000. The land was appraised at $150,000 and the building at $900,000. FNT renovated the building from January 1 to March 31, 2023, at a cost of $125,000. It also paid the local government an assessment of $55,000 to have a sidewalk and improved sewer system put into place. The new building opened on April 1, 2023, with a customer reception that cost JMT $7,000. FNT estimates the building will be used for 25 years and will use the straight-line method to depreciate the asset Required: Prepare all journal entries relating to the land, building, and related activities, for JMT's January 1 to December 31, 2023, fiscal year. Round the final answer to the nearest dollar.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply
Learning Objective : 09-03 Explain and calculate depreciation for partial years.
Topic : 09-16 Partial-Year Depreciation
Topic : 09-08 Buildings

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213) At December 31, 2022, Great Coast Coffee Company's adjusted trial balance shows an espresso machine with a book value of $22,000. As part of the year end procedures GCC completed the asset impairment test on the machine and noted that the recoverable value of the machine was $6,000. Record the impairment loss on the asset.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Bloom's : Apply
Learning Objective : 09-05 Explain and record impairment losses.
Topic : 09-18 Impairment of PPE Assets

214) Gold Grain Construction (GGC) exchanged a three-year-old excavator for a new excavator that had a list price of $73,000, which was its fair value. The old excavator originally cost $85,000 and has accumulated depreciation of $45,000 to the date of exchange. In addition to the $45,000 trade-in given for the old excavator, GGC paid $8,000 cash to complete the deal. Record the asset exchange.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-22 Exchanging PPE

215) Headstrom Industries (HI) exchanged a three-year-old truck for a new truck that had a list price of $50,000, which was its fair value. The old truck originally cost $65,000 and has accumulated depreciation of $25,000 to the date of exchange. In addition to the $45,000 trade-in given for the old truck, HI paid $8,000 cash to complete the deal.
Record the asset exchange.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-22 Exchanging PPE

216) Discuss the accounting procedures involved for asset disposal through discarding, selling, or exchanging an asset.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-19 Disposals of PPE

217) Game Company's computer was destroyed by fire. The computer originally cost $6,000, and accumulated depreciation to the date of the fire was $1,900. The company received $2,000 from an insurance policy that covered the computer and will use that money to help pay for a new computer. Prepare the general journal entry to record the loss of the computer and the receipt of cash from the insurance company.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-21 Selling PPE

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218) Vroom Company sold for $60,000 a machine that originally cost $100,000. The accumulated depreciation on this machine to date of sale was $47,000. What was Vroom Company's gain or loss on this sale?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-21 Selling PPE

219) Aye Company's computer was destroyed by fire. The computer originally cost $5,000, and accumulated depreciation to the date of the fire was $900. The company received $2,000 from an insurance policy that covered the computer and will use that money to help pay for a new computer. Prepare the general journal entry to record the loss of the computer and the receipt of cash from the insurance company.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-20 Discarding PPE

220) The $60,000 original cost of a machine is recorded in an account called Old Machine. After $45,000 of depreciation was recorded, the machine was traded in on a new machine with a cash price of $85,000. A $10,500 trade-in allowance was received on the old machine and the balance was paid in cash. This transaction has commercial substance. Prepare the general journal entry to record the trade; the cost of the new machine should be debited to a New Machine account.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-22 Exchanging PPE

221) Robertson Company exchanged a used machine for a new machine. The old machine cost $80,000, and the new one had a cash price of $95,000. Robertson had recorded a total of $75,000 depreciation on the old machine and was allowed a $4,500 trade-in allowance. This transaction has commercial substance. What gain or loss should be recorded on the exchange?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-22 Exchanging PPE

222) Wilkins Company exchanged its old computer for a newer model. The Old Computer was purchased for $22,000, with related accumulated depreciation of $15,500 to the date of the exchange. The new computer had a cash price of $30,200, and Wilkins Company was given a $7,500 trade-in allowance. This transaction has commercial substance. Prepare the general journal entry to record the exchange, recording the new computer in an account called New Computer.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-22 Exchanging PPE

223) On January 2, 2020, Mullins Company purchased a delivery truck for $45,000 cash. The truck had an estimated useful life of seven years and an estimated residual value of $3,000. Straight-line depreciation was used. Assuming the transactions have commercial substance, prepare the journal entries to record the disposition of the truck on September 1, 2024, under each of the following assumptions:

(a) The truck and $55,000 cash were exchanged for equipment that had a fair value of $70,000. Assume the appropriate depreciation expense entry was made on August 31, 2024 just prior to the disposition of the old delivery truck.
(b) The truck and $40,000 cash were exchanged for a new delivery truck that had a fair value of $70,000. Assume the appropriate depreciation expense entry was made on August 31, 2024 just prior to the disposition of the old delivery truck.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-22 Exchanging PPE

224) On April 1, 2022, Hogan Industries scrapped a machine that cost $10,000 and had accumulated depreciation through December 31, 2019, of $10,000. Prepare the journal entry to record the disposal of the machine.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-19 Disposals of PPE

225) On April 1, 2023, Lockhart Company discarded equipment that cost $80,000, had a useful life of 5 years, a residual value of $14,000, and, under straight-line depreciation, accumulated depreciation as of December 31, 2022 of $26,400.
(a) Prepare the journal entry to record depreciation up to the date of disposal of the equipment.
(b) Prepare the journal entry to record the disposal of the equipment.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-19 Disposals of PPE

226) On April 1, 2022, Sagan Realty disposed of an automobile that had cost $50,000 on January 1, 2020. The automobile had a residual value of $8,000, and a useful life of 5 years. The accounting records showed accumulated depreciation for this asset of $16,800 at December 31, 2021. The asset was discarded after an accident, and $11,500 was received from an insurance claim. Prepare the journal entry to record the disposal of the automobile.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-19 Disposals of PPE

227) On April 1, 2022, Thunderbird Co sold a piece of equipment that had cost $35,000 on January 1, 2013. The equipment had a residual value of $5,000, a useful life 10 years, and double-declining-balance depreciation at twice the straight-line rate was used. On December 31, 2021, accumulated depreciation was $20,664. The asset was sold for $14,200. Prepare the journal entry to record depreciation up to the date of disposal of the equipment, and the journal entry to record the disposal of the equipment.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-19 Disposals of PPE

228) During 2022, Melanie's Emporium exchanged an old truck costing $18,000 with accumulated depreciation of $13,000 to the date of exchange for a new truck. The new truck had a cash price of $30,000 and Melanie received a $6,000 trade-in allowance on the old truck. This transaction has commercial substance. Prepare the journal entry to record the exchange.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-22 Exchanging PPE

229) During 2022, Storey Company acquired a new computer with a cash price of $12,800 by exchanging an old one on which Storey received a $1,500 trade-in. The old computer had cost $9,000 and its accumulated depreciation to the date of exchange was $5,500. This transaction has commercial substance. Prepare the journal entry to record the exchange.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-22 Exchanging PPE

230) Upside Down Company purchased new office equipment for $4,300, by trading in old equipment with a cost of $2,000 and accumulated depreciation to the date of trade of $1,900. Upside Down received a $50 trade-in allowance for the old equipment. This transaction has commercial substance. Prepare the journal entry to record the transaction.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-22 Exchanging PPE

231) On April 1, Fog Company traded an old machine that originally cost $32,000 and had been depreciated $24,000 to date, for a new machine that had a cash price of $40,000. Assuming that this transaction has commercial substance, (1) Prepare the journal entry to record the exchange under the assumption that a $5,000 trade-in allowance was received and the balance was paid in cash. (2) Prepare the journal entry to record the exchange under the assumption that instead of a $5,000 trade-in allowance, a $12,500 trade-in allowance was received and the balance was paid in cash.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-22 Exchanging PPE

232) Natsuko Company traded an old forklift for a new forklift, receiving a $10,500 trade-in allowance and paying the remaining $37,200 in cash. The old forklift cost $39,000, and straight-line depreciation of $27,200 had been recorded to the date of trade under the assumption it would last 5 years and have a $5,000 residual value. At the date of trade, the fair value of the old forklift is $11,000, however the fair value of the new forklift is not known.(1) What was the book value of the old forklift?(2) At what amount should the new forklift be recorded?

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-22 Exchanging PPE

233) Hertzog Company purchased and installed a machine on January 1, 2019, at a total cost of $72,000. Straight-line depreciation was calculated based on the assumption of a five-year life and no residual value. The machine was disposed of on July 31, 2022. Assuming the machine was sold for $22,000, prepare the general journal entry to record the disposal

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-19 Disposals of PPE

234) Hertzog Company purchased and installed a machine on January 1, 2019, at a total cost of $72,000. Straight-line depreciation was calculated based on the assumption of a five-year life and no residual value. The machine was disposed of on July 31, 2022. Assuming the machine was sold for $15,000, prepare the general journal entry to record the disposal.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-19 Disposals of PPE

235) Hertzog Company purchased and installed a machine on January 1, 2019, at a total cost of $72,000. Straight-line depreciation was calculated based on the assumption of a five-year life and no residual value. The machine was disposed of on July 31, 2022. Assuming the machine was totally destroyed in a fire and the insurance company settled the claim for $18,000 cash, prepare the general journal entry to record the disposal.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-19 Disposals of PPE

236) Danner Co. purchased a computer on January 1, 2021, for $1,600,000. The straight-line method of depreciation was used, based on an expected life of 6 years and a residual value of $130,000. Prepare the journal entries to record depreciation for the first 6 months of 2023 and the sale of the computer on July 1, 2023, for $1,000,000.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Bloom's : Apply
Topic : 09-21 Selling PPE

237) Discuss accounting for an impairment of property, plant and equipment.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-05 Explain and record impairment losses.
Topic : 09-18 Impairment of PPE Assets

238) Matador & Company was preparing the annual financial statements and, as part of its year-end procedures, prepared the following schedule based on adjusted values at March 31, 2023:

Asset	Cost	Accumulated Depreciation	Recoverable Amount
Furniture	$25,000	$20,000	$15,000
Computer	$2,000	$1,000	$-
Land	$105,000	$-	$125,000
Machine	$90,000	$25,000	$45,000

Record the entry for any impairment loss assuming that Matador & Company recorded no impairment losses in previous years.

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Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Bloom's : Apply
Learning Objective : 09-05 Explain and record impairment losses.
Topic : 09-18 Impairment of PPE Assets

239) Matador & Company was preparing the annual financial statements and, as part of its year-end procedures, prepared the following schedule based on adjusted values at March 31, 2023:

Asset	**Cost**	**Accumulated Depreciation**	**Recoverable Amount**			
	Residual Value	**Depreciation Method**	**Remaining Life**			
Furniture	$25,000	$20,000	$10,000	$500	Straight Line	3 years
Computer	$2,000	$1,000	$500	$-	Double Declining	5 years
Land	$105,000	$-	$90,000	N/A	N/A	Unlimited
Machine	$90,000	$25,000	$35,000	$5,000	Straight Line	3 years

Record the entry for any impairment loss assuming that Matador & Company recorded no impairment losses in previous years. Record the entry for depreciation on each of the assets at March 31, 2023. Assume there was no change in residual or useful lives regardless of impairment losses.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply
Learning Objective : 09-05 Explain and record impairment losses.
Topic : 09-18 Impairment of PPE Assets

240) Discuss accounting for intangible assets.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-24 Accounting for Intangible Assets

241) On January 4, 2022, SportsWorld purchased a patent for $35,000 with a useful life of 10 years. Prepare the journal entry to amortize the patent for the calendar year 2023.

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Easy
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-25 Patents

242) Hawaii Kai purchased a leasehold property for $8,500,000. The leasehold expires in 15 years. Prepare the journal entry to record the first year's depreciation expense.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Bloom's : Apply
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-29 Leaseholds

243) GenX Music purchased a music distributor's collection of songs for $1,423,000. The copyrights are expected to last another 34 years. Prepare the journal entry to record the amortization expense for the first year.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Easy
Bloom's : Apply
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-26 Copyrights

244) Explain what could cause the impairment of goodwill. How often should goodwill be tested to see if it is impaired?

Question Details
Accessibility : Keyboard Navigation
Bloom's : Remember
Difficulty : Medium
Learning Objective : 09-07 Account for intangible assets and their amortization.
Topic : 09-30 Goodwill

245) The following information is available for a piece of A Company's machinery:

Machine:						
Component	**Date of Purchase**	**Depreciation Method**	**Cost**	**Est. Residual**	**Est. Life**	**Accum. Dep. at Dec. 31, 2021, Year-End**
Electronic Controller	April 1/22	Straight-line	$ 5,000	$ 0	5 years	$750
Motor	April 1/22	Units of Production	100,000	10,000	50,000 hours	2,700
			$105,000			$3,450

On November 1, 2022, the electronic controller was replaced with a new one costing $8,000 purchased for cash. The new controller had an estimated residual value of $1,000 and an estimated useful life of 5 years. During 2022 the machinery was used for 3,200 hours from January 1 to October 31 and 650 hours from November 1 to December 31. Required: Record depreciation on machinery and the controller replacement for 2022. Round depreciation amounts to the nearest dollar.

Question Details
Accessibility : Keyboard Navigation
Difficulty : Hard
Bloom's : Apply
Learning Objective : 09-06 Account for asset disposal through discarding, selling, or exchanging an a
Topic : 09-22 Exchanging PPE

SECTION BREAK. Answer all the part questions.

246) On January 1, 2023, PetraCo ordered a new machine to help increase production for one of its most popular products. The machine had an invoice price of $30,000 and PetraCo was required to pay shipping ($1,200) and insurance during shipping ($300) by boat from British Columbia to Toronto. The machine arrived on January 5, 2023 and was installed at a cost of $800 and calibrated and tested for a cost of $200. On February 1, 2023 it was put into operation. PetraCo's fiscal year runs from January to December. Round all final answers to the nearest dollar.

Question Details

246.1) Prepare a journal entry (or entries) to record all costs associated with the new machine

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply
Learning Objective : 09-03 Explain and calculate depreciation for partial years.
Topic : 09-16 Partial-Year Depreciation
Topic : 09-10 Machinery and Equipment

246.2) The machine was expected to last 10 years with a salvage value of $2,500. Prepare the journal entry to record depreciation for 2023 using the double-declining balance method of depreciation.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply
Learning Objective : 09-03 Explain and calculate depreciation for partial years.
Topic : 09-16 Partial-Year Depreciation
Topic : 09-10 Machinery and Equipment

246.3) Petra Co. sold the machine on July 1, 2024 for $19,000. Prepare all journal entries required by HRO in 2024 relating to the machine and its disposal.

Question Details
Accessibility : Keyboard Navigation
Learning Objective : 09-01 Describe property, plant, and equipment (PPE) and calculate their cost.
Difficulty : Medium
Learning Objective : 09-02 Explain, record, and calculate depreciation using the methods of straight-
Topic : 09-15 Depreciation Methods
Bloom's : Apply
Learning Objective : 09-03 Explain and calculate depreciation for partial years.
Topic : 09-16 Partial-Year Depreciation
Topic : 09-10 Machinery and Equipment

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Answer Key

Test name: Ch09

1) FALSE
2) TRUE
3) FALSE
4) TRUE
5) FALSE
6) TRUE
7) TRUE
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78) C
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81) D
82) C
83) B
84) C
85) D

86) D
87) E
88) E
89) E
90) A
91) C
92) B
93) E
94) E
95) E
96) D
97) C
98) E
99) E
100) C
101) A
102) E
103) E
104) E
105) C
106) E
107) A
108) C
109) A
110) C
111) B
112) A
113) A
114) C
115) C

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116) A
117) C
118) A
119) B
120) B
121) B
122) C
123) C
124) D
125) B
126) A
127) B
128) D
129) E
130) B
131) A
132) B
133) E
15 year revised life − 3 years depreciated = 12 years remaining
134) E
Accumulated Depreciation through the end of year 4:
(Cost of Asset − Salvage Value)/Estimated Useful Life × Years Elapsed
($23,940 − $2,100)/8 × 4 = $10,920

Depreciation in Year 5 = (Cost of Asset − Accumulated Depreciation − Salvage Value)/Remaining Estimated Useful Life
($23,940 − $10,920 − $2,100)/2 = $5,460
135) D

Accumulated Depreciation through the end of year 3:
(Cost of Asset − Salvage Value)/Estimated Useful Life × Years Elapsed
($20,300 − $5,600)/6 × 3 = $7,350

Depreciation, years 4 through 6 = (Cost of Asset - Accumulated Depreciation - Salvage Value)/Remaining Estimated Useful Life
($20,300 − $7,350 − $2,030)/3 = $3,640

136) D

Period	BOY BV	DB Rate	Depreciation Expense	EOY BV
Year 1	160,000	40%	$64,000 × 3/12 = $16,000	$144,000
Year 2	144,000	40%	57,600	86,400

Accordingly, the asset's book value at the end of Year 2 would be $86,400.
BOY BV = Beginning of Year Book Value
DB Rate = Declining Balance Rate of Depreciation (1/5 × 2)
EOY BV = End of Year Book Value

137) C

Year 1	[($31,500 − $3,900)/4] × 9/12 =	$5,175
Year 2	($31,500 − 3,900)/4 =	$6,900
Year 3		$6,900
Accumulated		$18,975

138) A
Depreciation Expense = (Cost − Salvage Value)/Estimated Useful Life
Depreciation Expense = ($31,500 − $3,900)/4 = $6,900

139) B

[(Year 3 book value − revised salvage value)/useful life] = Year 3 depreciation

[($67,600 − $5,000)/8)] = $7,825.00.
140) A
Total cost = $182,000 + $15,700 + $1,500 + $2,700 = $201,900
141) E
$100,000 × $51,800/($53,500 + $51,800 + $19,700) = $41,440
142) B
Depreciation Expense = (Cost − Salvage Value)/Est Useful Life × Length of Ownership
Depreciation Expense = ($27,700 − $3,100)/6 × 3/12; Depreciation Expense = $1,025
143) C
Depreciation Expense = Beginning of Year Book Value × Double Straight-line Rate
Depreciation Expense = $6,500 × (2 × 20%) = $2,600 (Year 1, depreciation)

Depreciation Expense = Beginning of Year Book Value × Double Straight-line Rate
Depreciation Expense = ($6,500 − $2,600) × (2 × 20%) = $1,560 (Year 2, depreciation)
144) A
Depreciation Expense = [(Cost − Salvage Value)/Estimated Useful Life (in units)] × Units Produced
Depreciation per unit = ($307,320 − $17,000)/764,000 units = $.38 per unit
Depreciation Expense = $.38 × 116,000 = $44,080
145) E

Selling price $13,100 − $19,900 Book value = $6,800 Loss.
146) E
If the asset's book value is $25,200 on January 1, Year 6 and is being depreciated $350 per month, $6,300 (18 × $350) of additional depreciation expense would be recognized by July 1, Year 7. Thus, the asset's book value on that date would be $18,900. If the asset is sold for $17,900, a loss on sale of $1,000 should be recognized.
147) A

Cost of equipment	$ 160,000
Accumulated depreciation	(64,000)
Book value	$ 96,000
Cash received	(96,000)
Gain or Loss on sale	$ 0

148) B

Cost of computer system	$ 8,000
Accumulated depreciation	(7,200)
Book value	$ 800
Cash received	(0)
Loss on disposal	$ 800

149) A

Cost of tractor	$ 137,000
Accumulated depreciation	(70,800)
Book value	$ 66,200
Cash received	32,000
Loss	$ 34,200

150) E
Depletion Expense per ton = (Cost − Salvage Value)/Estimated Useful Life (in tons)
Depletion Expense per ton = ($1,500,000 − $250,000)/2,000,000 tons = $0.625/ton
151) E

Market value of new machine		$ 62,100
Cost of old machine	$ 51,000	
Accumulated depreciation	(39,900)	
Book value of old machine	$ 11,100	
Plus cash paid in exchange	52,900	64,000
Loss on exchange		$ (1,900)

Machine (new)	62,100
Loss on disposal	1,900
Accumulated depreciation (old)	39,900

Machine (old)	51,000
Cash	52,900

152) C

Market value of new sailboat		$ 263,000
Book value of old sailboat ($250,000 − $150,000)	$ 100,000	
Cash	147,000	(247,000)
Gain		$ 16,000

153) D

Market value of new truck		$ 133,000
Book value of the old truck ($83,000 − $66,400)	$ 16,600	
Cash	119,720	136,320
Loss		$ 3,320

As the transaction has commercial substance and there is a loss on the exchange, the new asset is recorded at its market value:

Truck (new)	133,000
Loss on exchange	3,320

Accumulated depreciation (old)	66,400	
Truck (old)		83,000
Cash		119,720

154) D

Market value of new system		$ 56,000
Cost of old system	$ 50,200	
Accumulated depreciation	(45,800)	
Book value of old system	$ 4,400	
Plus cash paid in exchange	53,400	57,800
Loss on exchange		$ (1,800)

Since the transaction has commercial substance, the loss on exchange is recognized and the new system should be recorded at its $56,000 price.

Equipment (new)	56,000	
Loss on exchange	1,800	
Accumulated depreciation (old)	45,800	
Equipment (old)		50,200
Cash		53,400

155) E

Market value of new equipment		$ 243,000
Cost of old machine	$ 220,000	
Accumulated depreciation	(44,000)	
Book Value of the old equipment	$ 176,000	
Plus cash paid in exchange	63,000	239,000
Gain on exchange		$ 4,000

Since the transaction has commercial substance, the $4,000 gain is recognized and the new machine is recorded at its market value of $243,000.

Equipment (new)	243,000	
Accumulated depreciation (old)	44,000	
Equipment (old)		220,000
Gain on exchange		4,000
Cash		63,000

156) C

Cost of Machine = 136,220 + $3,900 + $11,900 = $152,020

157) B

Depreciation Expense = (Cost − Salvage Value)/Estimated Useful Life

Depreciation Expense = ($156,000 − $4,000)/5 = $30,400

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158) A

Depreciation Expense = [(Cost − Salvage Value)/Estimated Useful Life (in units)] × Production of Units

Depreciation Expense = [($117,000 − $3,000)/130,000] × 10,400 = $9,120

159) E

Amortization Expense = Cost/Lesser of Estimated Useful Life or Remaining Lease Length

Amortization Expense = $66,500/5 = $13,300

160) E

Amortization Expense = Cost/Lesser of Estimated Useful Life or Remaining Length of Lease

Amortization Expense = $38,000/2 = $19,000

161) C

Gain/Loss on Sale = Cash Received − Book Value

Gain/Loss on Sale = $33,300 − ($95,300 − $65,200); Gain of $3,200

162) D

Gain/Loss on Sale = Cash Received − Book Value

Gain/Loss on Sale = $15,300 − ($34,000 − $17,000); Loss of $1,700

Cash	$ 15,300	
Accumulated Depreciation	17,000	
Loss on Sale	1,700	
Equipment		$ 34,000

163) A

Percent Allocated to Building = $128,000/($128,000 + $72,000 + $200,000) = 0.32
Cost Allocated to Building = ($370,000 + $12,000) × 0.32 = $122,240
164) B
Depreciation Expense = (Cost − Salvage Value)/Estimated Useful Life
Depreciation Expense = ($27,000 − $5,000)/8 = $2,750
165) D
Depreciation Expense = (Cost − Salvage Value)/Estimated Useful Life
Depreciation Expense = ($34,000 − $4,000)/8 = $3,750 per year

Book value at end of year 2 = Cost − Accumulated Depreciation
Book value at end of year 2 = $34,000 − ($3,750 × 2) = $26,500
166) D
Depreciation Expense = Beginning of Year Book Value × Double Straight-line Rate
Depreciation Expense = $38,000 × (2 × 20%) = $15,200 (Depreciation Expense, year 1)

Depreciation Expense = Beginning of Year Book Value × Double Straight-line Rate
Depreciation Expense = ($38,000 − $15,200) × (2 × 20%) = $9,120 (Depreciation Expense, year 2)
167) D

Depreciation Expense = Beginning of Year Book Value × Double Straight-line Rate
Depreciation Expense = $29,000 × (2 × 20%) = $11,600 (Depreciation Expense, year 1)

Depreciation Expense = Beginning of Year Book Value × Double Straight-line Rate
Depreciation Expense = ($29,000 − $11,600) × (2 × 20%) = $6,960 (Depreciation Expense, year 2)

Book value at end of year 2 = Cost − Accumulated Depreciation
Book value at end of year 2 = $29,000 − ($11,600 + $6,960) = $10,440
168) D
Depreciation Expense = (Cost − Salvage Value)/Estimated Useful Life (units)
Depreciation Expense = ($44,000 − $3,000)/82,000 = $0.50 per unit
Depreciation Expense = $0.50 per unit × 7,700 units = $3,850
169) B
Depreciation Expense = (Cost − Salvage Value)/Estimated Useful Life
Depreciation Expense = ($72,000 − $5,000)/5 = $13,400
170) D
Depreciation Expense = (Cost − Salvage Value)/Estimated Useful Life
Depreciation Expense = ($68,000 − $8,000)/5 = $12,000 per year

Book value at end of year 5 = Cost − Accumulated Depreciation
Book value at end of year 5 = $68,000 − ($12,000 × 5) = $8,000
171) D

Depreciation Expense = Beginning of Year Book Value × Double Straight-line Rate
Depreciation Expense = $155,000 × (2 × 25%) = $77,500 (Depreciation Expense, year 1)

Depreciation Expense = Beginning of Year Book Value × Double Straight-line Rate
Depreciation Expense = ($155,000 − $77,500) × (2 × 25%) = $38,750 (Depreciation Expense, year 2)

Depreciation Expense = Beginning of Year Book Value × Double Straight-line Rate
Depreciation Expense = ($155,000 − $116,250) × (2 × 25%) = $19,375 (Depreciation Expense, year 3)

Depreciation Expense = Beginning of Year Book Value × Double Straight-line Rate
Depreciation Expense = ($155,000 − $135,625) × (2 × 25%) = $9,688, but this would reduce the book value to less than salvage. Therefore, *depreciation expense* in year 4 is limited to $6,475.
(Book value at the beginning of the year, $19,375, minus the $12,900 salvage.)
172) D

Depreciation Expense = Beginning of Year Book Value × Double Straight-line Rate
Depreciation Expense = $85,000 × (2 × 25%) = $42,500 (Depreciation Expense, year 1)

Depreciation Expense = Beginning of Year Book Value × Double Straight-line Rate
Depreciation Expense = ($85,000 − $42,500) × (2 × 25%) = $21,250 (Deprec. Exp, year 2)

Depreciation Expense = Beginning of Year Book Value × Double Straight-line Rate
Depreciation Expense = ($85,000 − $63,750) × (2 × 25%) = $10,625 (Deprec. Exp, year 3)

Book Value at end of year 3 = Cost minus Accumulated Depreciation
Book Value at end of year 3 = $85,000 − ($42,500 + $21,250 + $10,625)
Book Value at end of year 3 = $10,625
173) I would tell the president that goodwill is recognized only when a company acquires another business. Goodwill arises as a result of a business acquisition and reflects the amount paid for a business that exceeds the fair market value of the company's net assets.
Internally created goodwill is not recorded in the financial statements, due to the high level of difficulty in determining true value. To do so could lead to abuse and values arrived at would lack objectivity. The amount paid by the acquirer on the acquisition date provides objective evidence that goodwill exists and sets a value to be recognized.

174) Depletion charge per ton = $1,000,000 / $250,000 = $4 per ton.
Total depletion charge for 2022 = 90,000 x 4 = $$360,000

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175) Property, plant and equipment are tangible assets used in the operations of a company and have a useful life of more than one accounting period. The four main accounting issues include (1) calculating their costs (2) allocating their costs to the periods they benefit (3) accounting for subsequent expenditures such as repairs and improvements, and (4) recording their disposal.

176) Revenue expenditures such as repairs expire in the current accounting period. They are debited to expense and are thus matched with current revenues. Capital expenditures such as subsequent capital expenditures benefit future periods. They are debited to asset accounts and are matched with future periods through depreciation expense. Immaterial long-term expenditures are treated as current period expenses (materiality principle).

177)

Invoice Price	1,400,000
Freight costs	8,000
Purchase discount	(2,500)
Installation costs	68,000
Electrical and power connections	33,000
Adjustments costs	46,000
Provincial sales tax	84,000
Cost of special foundation for the machine	7,000
Total	$1,643,500
NOTE ALL OTHER ITEMS WOULD BE EXPENSED	

178)

		Appraised Cost	**Percent Total**	**Apportioned Cost**
(a)	Land	450,000	45%(450,000/1,000,000)	396,000
(b)	Land Improvements	170,000	17%(170,000/1,000,000)	149,600
(c)	Building	380,000	38%(380,000/1,000,000)	334,400

	Total	1,000,000	100%	880,000

179)

Mar-01	Trucks	78,900	
	Spare Parts Inventory	2,300	
	Licence Expense	500	
	Cash		81,700
	\$70,000 + (70,000 × 7%) + 3,000=\$78,900		
May-12	Garage	64,000	
	Notes Payable		60,000
	Cash		4,000
Jun-05	Repairs and Maintenance Expense	750	
	Cash		750
Aug-23	Office Equipment	15,595	
	Accounts Payable		15,595
	\$13,500 + 945 + 300 + 850 = \$15,595		
Sep-12	Accounts Payable	15,595	
	Cash		15,595
Oct-05	Store Equipment	35,160	
	Repairs and Maintenance Expense	1,750	
	Supplies	3,700	
	Cash		40,610
	\$28,000 + 1,960 + 5,200 = \$35,160		

180) $24,000 + 280,000 + 5,000 + 800 = $309,800

181)

	Appraised Cost	Percent Total	Apportioned Cost
Land	3,510,000	65%(3,510,000/5,400,000)	3,900,000
Building	1,890,000	35%(1,890,000/5,400,000)	2,100,000
Total	5,400,000	100%	6,000,000
Land	3,900,000		
Building	2,100,000		
Cash		500,000	
Notes Payable		5,500,000	

182)

Land **	990,000	
Building *	4,660,000	
Land Improvements	600,000	
Cash		6,250,000
* 5,260,000 – 600,000		
** 860,000 + 150,000 – 20,000		

183) $200,000 + $10,800 + $1,400 + $6,000 + $1,500 - $900 = $218,800 to Land; $-0- to the new Building account.

184)

	Land	Building	Machinery and Equipment	Expense
Architect's fees		9,000		

Cash paid for land and old building	140,000			
Removal of old building	20,000			
Survey to site the new building	(8,000)			
Legal fees for title search	1,000			
Excavation for construction of basement		2,500		
Machinery purchased			72,000	
Storage charges on machinery because building was not ready when machinery was delivered				600
Freight on machinery purchased			2,000	
Hauling charges to deliver machinery from storage to new building				800
Construction costs of new building		615,000		
Landscaping	7,050			
Installation of machinery			9,000	
	160,050	626,500	83,000	1,400

185) Property, plant and equipment should be recorded at cost when acquired. Cost includes all normal and reasonable expenditures necessary to get the asset in place and ready for its intended use. The cost of a lump-sum purchase is allocated among its individual assets based on their relative market values.

186)

Machinery	3,700	
Cash		3,700

187)

Machinery	5,400	

Cash		5,400

188)

Dec 31,2021	Depreciation Expense, Machine	6,000	
	Accumulated Depreciation, Machine		6,000
	($63,000 - 3,000)/10 years		
Dec 31, 2022	Depreciation Expense, Machine	6,375	
	Accumulated Depreciation, Machine		6,375
	(60,000 - 6,000 - 3,000)/8 years		
Dec 31, 2023	Depreciation Expense, Machine	6,918	
	Accumulated Depreciation, Machine		6,918
	($60,000 - 6,000 - 6,375 - 3,000 + 3,800)/7 years		

189)

(1)	Machinery	
(2)	($180,000 - (3 × (180,000 -16,000)/6) + $25,000 =	123,000.00
	($123,000 - 19,500)/7 =	14,785.71

190) Depreciation is the process of allocating to expense the cost of property, plant and equipment over the accounting periods benefiting from the use of the assets. Three factors determine depreciation: cost, residual value, and useful life.

191) The amount of depreciation expense per period is usually different for different methods. Yet total depreciation expense is the same for all methods. The straight-line method results in the same amount of depreciation for each accounting period. The units-of-production method results in depreciation expense that increases or decreases with the amount of asset usage. The double-declining-balance method is an accelerated method and yields more depreciation expense in the first years of ownership and less in later years than straight-line depreciation.

192) Straight-line depreciation is calculated by subtracting residual value from the cost of a property, plant and equipment item and dividing the result by the useful life in years. The resulting amount is the annual depreciation expense for the asset. Units-of-production depreciation is calculated by subtracting residual value from the cost of a property, plant and equipment item and dividing the result by the estimated number of units to be produced. The resulting amount is the depreciation expense per unit. That amount is multiplied by the number of units used during each accounting period in order to determine the total amount of depreciation expense for the period. The double-declining-balance method uses twice the straight-line percent times the beginning book value of the asset. The resulting amount is the annual depreciation expense.

193) Annual rate is 2/40 × 100 = 5%

Year	Annual Depreciation Calculation	Annual Depreciation Expense	Remaining Book Value
1	560,000 × 0.05	28,000	532,000
2	532,000 × 0.05	26,600	505,400
3	505,400 × 0.05	25,270	480,130

194)

	(a)	(b)	(c)
Year	Straight Line	Units of Production	Declining Balance

2019	$470,000	$705,000	$1,000,000
2020	470,000	658,000	600,000
2021	470,000	470,000	360,000
2022	470,000	423,000	216,000
2023	470,000	54,000	44,400
Totals	$2,350,000	$2,310,000	$2,220,400

(a) ($2,500,000 - 150,000)/5 years = 470,000

(b) Rate = ($2,500,000 - 150,000)/50,000 hours = $47/hour

Year	Annual Depreciation Calculation	Annual Depreciation Expense	Remaining Book Value
2019	15,000 hrs × $47/hr	705,000	1,795,000
2020	14,000 hrs × $47/hr	658,000	1,137,000
2021	10,000 hrs × $47/hr	470,000	667,000
2022	9,000 hrs × $47/hr	423,000	244,000
2023	6,000 hrs × $47/hr	MAX 94,000	150,000

(c) Rate = 2/5 × 100 = 40%

Year	Annual Depreciation Calculation	Annual Depreciation Expense	Remaining Book Value
2019	2,500,000 × 0.40	1,000,000	1,500,000
2020	1,500,000 × 0.40	600,000	900,000
2021	900,000 × 0.40	360,000	540,000
2022	540,000 × 0.40	216,000	324,000
2023	324,000 × 0.40	MIN = 174,000	150,000

195)

Equipment		
(1)	(60,000 – 12,000)/5 years =	9,600
(2)	(70,000 – 8,000)/50,000 × 5,000 units =	6,200
(3)	2/10 × 130,000 × 7/12 =	15,167
(4)	(100,000 – 10,000)/8 years × 8/12 =	7,500

196) (a) Straight line ($625,000 - 15,000)/10 years = $61,000

(b) Double Declining Rate is 2/10 = 20%

Year	Annual Depreciation Calculation	Annual Depreciation Expense	Remaining Book Value
2022	625,000 × 0.20	125,000	500,000

2023	500,000 × 0.20	100,000	400,000

(c) Units of production ($625,000 - 15,000)/50,000 hours = $12.20/hour

Year	Annual Depreciation Calculation	Annual Depreciation Expense	Remaining Book Value
2022	3,000 hrs × $12.20/hr	36,600	588,400
2023	2,600 hrs × $12.20/hr	31,720	556,680

197) (a) ($330,000 - 3,000)/4 years = $81,750

(b) Double Declining Rate is 2/4 = 50%

Year	Annual Depreciation Calculation	Annual Depreciation Expense	Remaining Book Value
2022	330,000 × 0.50	165,000	165,000
2023	165,000 × 0.50	82,500	82,500

(c) ($330,000 - 3,000)/50,000 units = $6.54/unit

Year	Annual Depreciation Calculation	Annual Depreciation Expense	Remaining Book Value
2022	9,000 hrs × $6.54/unit	58,860	271,140
2023	10,000 hrs × $6.54/unit	65,400	205,740

198) (a) ($72,000 - 5,200)/6 years × 3/12 = $2,783.33

(b) Double Declining Rate is 2/6 = 33.33%

Year	Annual Depreciation Calculation	Annual Depreciation Expense	Remaining Book Value
2022	72,000 × 0.3333 × 3/12	5,999	66,001
2023	66,001 × 0.3333	21,998	44,003

199) Rate is ($180,000 - 20,000)/60,000units = $2.67/unit $2.67/unit × 7,200 units = $19,224 depreciation for the first year

200) 2/5 × 100 = 40% $180,000 × 40% = $72,000 depreciation for the first year

201) ($38,000 - 6,000)/5 years = $6,400

202) (a) ($10,000,000 - 1,500,000)/5 years = 1,700,000

(b) Double Declining Rate is 2/5 = 40%

Year	Annual Depreciation Calculation	Annual Depreciation Expense	Remaining Book Value

2022	10,000,000 × 0.40	4,000,000	6,000,000
2023	6,000,000 × 0.40	2,400,000	3,600,000
2024	3,600,000 × 0.40	1,440,000	2,160,000
2025	2,160,000 × 0.40	Max = 660,000	1,500,000
2026	0	MAX 0	1,500,000

203)

(a) ($460,000 – 6,000)/5 years × 6/12 = 45,400		
Dec 31, 2022 Depreciation Expense, Machine	45,400	
Accumulated Depreciation, Machine		45,400
(b) ($460,000 – 6,000)/30,000 units = $15.13/unit		
2,600 units × $15.13/unit = 39,338		
Dec 31, 2022 Depreciation Expense, Machine	39,338	
Accumulated Depreciation, Machine		39,338

204)

Dec 31, 2022 Depreciation Expense, Machine	76,659	
Accumulated Depreciation, Machine		76,659
($460,000) × 0.3333 × 6/12 = 76,659		

205) Rate = 2/5 × 100 = 40%

Year	Annual Depreciation Calculation	Annual Depreciation Expense	Remaining Book Value
2022	950,000 × 0.40 × 3/12	95,000	855,000
2023	855,000 × 0.40	342,000	513,000
2024	513,000 × 0.40	205,200	307,800
2025	307,800 × 0.40	123,120	184,680
2026	184,680 × 0.40	73,872	110,808
2027	110,808 × 0.40	33,242 max.	77,566

206)

(a) ($250,000 – 40,000)/5 years × 9/12 = 31,500		

Dec 31, 2022 Depreciation Expense, Equipment	31,500	
Accumulated Depreciation, Equipment		31,500
($330,000 – 50,000)/5 year × 3/12 = 14,000		
Dec 31, 2022 Depreciation Expense, Machine	14,000	
Accumulated Depreciation, Machine		14,000
(b) Rate is 2/5 × 100 = 40%		
250,000 × .40 × 9/12 = 75,000		
Dec 31, 2022 Depreciation Expense, Equipment	75,000	
Accumulated Depreciation, Equipment		75,000
Rate is 2/5 × 100 = 40%		
330,000 × .40 × 3/12 = 33,000		
Dec 31, 2022 Depreciation Expense, Machine	33,000	
Accumulated Depreciation, Machine		33,000

207) (1) Machinery
(2) ($75,000 - [(75,000 - 6,000)/6 × 3] + $7,500) = $48,000 (NBV at Jan 1/22)($48,000 - 6,000)/3 = $14,000

208) (1) Partial years' depreciation is often required because assets are bought and sold throughout the year. Depreciation for assets owned for less than one year can be based on the number of months owned during the year (nearest whole month method) or the half-year convention may be used.(2). Depreciation is revised when changes in estimates such as residual value and useful life occur. For example, if the useful life of a property, plant and equipment item changes, the remaining cost to be depreciated is spread over the remaining revised useful life of the asset.

209)

($37,000 - $1,000)/10 =	$3,600
$3,600 × 5 =	$18,000
$37,000 - $18,000 =	$19,000
($19,000 - $1,600)/3 =	$5,800

210) ($106,000 - $6,000)/5 = $20,000 (annual depreciation) $106,000 - (3 × $20,000) = $46,000 (NBV at Jan 1/23) ($46,000 - $5,500)/3 = $13,500

211)

(a)			
Jan 2, 2022	Heating System	43,000	
	Cash		43,000
(b)			
Dec 31, 2022	Depreciation Expense, Heating System	16,000	
	Accumulated Depreciation, Heating System		16,00
Accumulated Depreciation 2010-2022 = 425,000/15 years × 12 years = 340,000			
At January 2, 2022, book value is 85,000 + 43,000 = 128,000			
New annual depreciation 128,000/(3 years + 5 years) = 16,000			
(15 years - 12 years + 5 years) = 8 years remaining			

212) Jan 1, 2023 - purchase:

Land	135,714	
Building	814,286	
Cash		950,000

Costs subsequent to purchase:

Land	55,000	
Building	125,000	
Promotion Expense	7,000	
Cash		187,000

December 31, 2023 - depreciation:

Depreciation Expense	28,179	
Accumulated depreciation		28,179

213)

Dec 31 Impairment Loss	16,000	
Machine (22,000 – 6,000)		16,000

214)

Equipment (new)	73,000	
Accumulated depreciation, equipment (old)	45,000	
Equipment (old)		85,000
Cash		8,000
Gain on asset exchange*		25,000
* Gain = Fair Value of new excavator- assets given up		
Gain = 73,000 (list price) – 40,000 (book value of old excavator) - 8,000 (cash)		

215)

Truck (new)	50,000	
Accumulated depreciation, Truck (old)	25,000	

Truck (old)		65,000
Cash		8,000
Gain on asset exchange*		2,000
* Gain = Fair Value of truck- assets given up		
Gain = 50,000 (list price) – 40,000 (book value of old truck) - 8,000 (cash)		

216) When an asset is disposed of through discarding or selling, the depreciation must first be brought up to date. Then the cost of the asset and its related accumulated depreciation are removed from the books, along with recording any cash involved in the transaction and any gain or loss from the disposal. When a new asset is purchased by trading in an old asset, assuming the transaction has commercial substance, depreciation to date is recorded, the cost of the old asset and its related accumulated depreciation are removed from the books, the new asset is recorded at its fair value, and any cash paid or received and any gain or loss on disposal is recognized.

217)

Cash	2,000	
Accumulated Depreciation, Computer	1,900	
Loss from fire	2,100	
Computer		6,000

218) Machine Book Value $100,000 - 47,000 = $53,000 Cash Received = $60,000 Gain on Sale = $7,000

219)

Cash	2,000	

Accumulated Depreciation, Computer	900	
Loss from fire	2,100	
Computer		5,000

220)

New machine	85,000	
Accumulated Depreciation, Old machine	45,000	
Loss on Asset Exchange	4,500	
Old machine		60,000
Cash		74,500

221)

Cost	80,000
Accumulated Depreciation	75,000
Book Value	5,000
Less trade in allowance	4,500
Loss	500

222)

New machine	30,200	
Accumulated Depreciation, Old computer	15,500	
Old computer		22,000
Cash ($30,200 - $7,500)		22,700
Gain on Asset Exchange		1,000

223)

(a) Sept 1	New Delivery Truck	70,000	
	Accumulated Depreciation, Old	28,000	

	Truck		
	Loss on Exchange	2,000	
	Old Delivery Truck		45,000
	Cash		55,000
(b) Sept 1	New Delivery Truck	70,000	
	Accumulated Depreciation, Old Truck	28,000	
	Gain on Exchange		13,000
	Old Delivery Truck		45,000
	Cash		40,000
Accumulated Depreciation: (45,000 - 3,000)/7 × 4 yrs 8 mths			

224)

01-Apr	Accumulated Depreciation, Machine	10,000	
	Machine		10,000

225)

(a) ($80,000 – 14,000)/5 years × 3/12 = 3,300		
April 1, 2023 Depreciation Expense, Equipment	3,300	
Accumulated Depreciation, Equipment		3,300
(b)		
April 1, 2023 Accumulated Depreciation, Equipment	29,700	
Loss on Disposal of Equipment	50,300	
Equipment		80,000

226)

April 1, 2022 Accumulated Depreciation, Automobile		18,900	
Cash		11,500	
Loss on Disposal of Automobile		19,600	
Automobile			50,000
Depreciation Expense = (50,000 – 8,000)/5 = $8,400/year			
	2020	8,400	
	2021	8,400	
	2022	2,100	(8,400 × 3/12)
	Total	18,900	

227)

Apr-01 Depreciation Expense	716.80	
Accumulated Depreciation, Equip.		716.80
($35,000 - $20,664) × 0.2 × 3/12 = $716.80		
1 Accumulated Depreciation, Equip	21,380.80	
Cash	14,200.00	
Equipment		35,000.00
Gain on Sale of Equipment		580.80

228)

Truck (new)	30,000	
Accumulated Depreciation, Truck (old)	13,000	
Truck (old)		18,000
Cash (30,000 - 6,000)		24,000

Gain on Asset Exchange		1,000

229)

Computer (new)	12,800	
Accumulated Depreciation, Computer (old)	5,500	
Loss on Asset Exchange	2,000	
Computer (old)		9,000
Cash (12,800 - 1,500)		11,300

230)

Office Equipment (new)	4,300	
Accumulated Depreciation, Office Equipment	1,900	
Loss on Asset Exchange	50	
Office Equipment (old)		2,000
Cash		4,250

231)

(1)		
Apr-01 Machinery	40,000	
Accumulated Depreciation, Machinery	24,000	
Loss on Asset Exchange	3,000	
Machinery		32,000
Cash ($40,000-$5,000)		35,000
(2)		
Apr-01 Machinery	40,000	

Accumulated Depreciation, Machinery	24,000	
Gain on Asset Exchange		4,500
Machinery		32,000
Cash ($40,000-$12,500)		27,500

232) (1) $39,000 - $27,200 = $11,800 (2) $11,000 + 37,200 = 48,200(fair value of old asset plus cash paid)

233)

Jul-31 Cash	22,000	
Accumulated Depreciation, Machinery	50,400	
Gain on Disposal of Equipment		400
Machinery		72,000
$72,000/5 × 3.5 years = $50,400		

234)

Jul-31 Cash	15,000	
Loss on Disposal of Equipment	6,600	
Accumulated Depreciation, Machinery	50,400	
Machinery		72,000
$72,000/5 × 3.5 years = $50,400		

235)

Jul-31 Cash	18,000	
Loss From Fire	3,600	
Accumulated Depreciation, Machinery	50,400	

Machinery		72,000

236)

Jul-01 Depreciation Expense*	122,500	
Accumulated Depreciation, Computer		122,500
1 Cash	1,000,000	
Accumulated depreciation, Computer **	612,500	
Computer Equipment		1,600,000
Gain on Disposal of Equipment ***		12,500
*(($1,600,000-$130,000)/6) × 1/2		
**(($1,600,000-$130,000)/6) × 2.5 years = $612,500		

*** Original Cost	$1,600,000
Accumulated depreciation	612,500
Book Value	$987,500
Sales Price	1,000,000
Gain	$12,500

237) If the book value or carrying amount of a PPE item is greater than the amount to be recovered through the asset's use or sale, the difference is an impairment loss and the asset is described as impaired. To account for the impairment of an asset a company must record a debit to impairment loss and a credit to the impaired asset. When a loss is recorded, revised depreciation must be calculated and recorded in future periods because of the decrease in the carrying amount of the asset caused by the impairment loss.

238)

Asset	**Cost**	**Accumulated Depreciation**	**Book Value**	**Recoverable Amount**	**Impairment Loss**
Furniture	$25,000	$20,000	$5,000	$15,000	$-

Computer	$2,000	$1,000	$1,000	$-	$1,000
Land	$105,000	$-	$105,000	$125,000	$-
Machine	$90,000	$25,000	$65,000	$45,000	$20,000
Impairment Loss 21,000					
Computer	1,000				
Machine	20,000				

239) 1.

Asset	**Cost**	**Accumulated Depreciation**	**Recoverable Amount**		
	Book value	**Impairment Loss**			
Furniture	$25,000	$20,000	$10,000	$5,000	$-
Computer	$2,000	$1,000	$500	$1,000	$500
Land	$105,000	$-	$90,000	$105,000	$15,000
Machine	$90,000	$25,000	$35,000	$65,000	$30,000
Mar-31 Impairment Loss 45,500					
Computer	500				
Land	15,000				
Machine	30,000				

2.

Asset	**Cost**	**Accumulated Depreciation**	**Impairment Loss**	**Adjusted Book Value after loss**	**Residual Value**	**Depreciation Method**	**Remaining Life**
Furniture	$25,000	$20,000	$-	$5,000	$500	Straight Line	3 years
Computer	$2,000	$1,000	$500	$500	$-	Double Declining	5 years
Land	$105,000	$-	$15,000	$90,000	N/A	N/A	Unlimited
Machine	$90,000	$25,000	$30,000	$35,000	$5,000	Straight Line	3 years

Asset Depreciation Expense							
Furniture ($5,000-$500)/3 years = $1,500							
Computer 2/5 × 500 = $200							
Land N/A							
Machine ($35,000-$5,000)/3 years = $10,000							
Mar-31 Depreciation expense, Furniture	$1,500						
Depreciation expense, Computer	200						
Depreciation expense, Machine	10,000						
Accumulated Depreciation, Furniture	$1,500						
Accumulated Depreciation, Computer	200						
Accumulated Depreciation, Machine	10,000						

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240) Intangible assets are recorded at acquisition cost and are debited to asset accounts. Allocation of the cost of an intangible asset to expense is done by using the straight-line method and is called amortization. Theoretically, a contra account should be used for the accumulated amortization (as with tangible property, plant and equipment and accumulated depreciation), but a credit directly to the asset account is also done in practice.

241)

Amortization Expense, Patent (35,000/10)	3,500	
Accumulated Amortization, Patent		3,500

242)

Rent Expense	566,667	
Leasehold		566,667

243)

Amortization Expense, Copyrights	41,853	
Accumulated Amortization, Copyrights		41,853

$1,423,000/34 = 41,853 rounded

244) Goodwill could be impaired by an ongoing past or potential cash flow losses or negative changes in variables supporting original calculations of goodwill. Testing for impairment should be done at least annually.

245) Step 1: Update depreciation on the machinery to October 31, 2022: Using original rates of depreciation: October 31, 2022:

Depreciation expense, Machinery	6,593	
Accumulated Depreciation, Machinery		6,593

5,000/5 * 10/12 = $833
(100,000-10,000)/50,000 * 3,200 = $5,760
$833 + $5,760 = $6,593
Step 2: Record the capital expenditure and remove the old controller being replaced: November 1, 2022:

Machinery (new controller)		8,000	
Accumulated depreciation, machinery (750 + 833)		1,583	
Loss on Disposal of Machinery		3,417	
	Machinery (old controller)		5,000
	Cash		8,000

Step 3: record depreciation from November 1 - December 31, 2022
December 31, 2022:

Depreciation expense, Machinery	1,403	
Accumulated Depreciation, Machinery		1,403

$233 + $1,170 = $1,403

246) Section Break

246.1)

Machine	32,500	
Cash		32,500

246.2)

Depreciation expense	5,958	
Accumulated depreciation		5,958

246.3) Depreciation to July 1, 2024 date of sale

Depreciation expense	2,654	
Accumulated depreciation		2,654

Sale on July 1, 2024:

Cash		19,000	
Accumulated depreciation		8,612	
Loss on disposal of machine		4,888	
	Machine		32,500