

EXERCISE E10-1

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- (b)**
- 1. Land**
 - 2. Equipment**
 - 3. Equipment**
 - 4. Land Improvements**
 - 5. Equipment**
 - 6. Equipment**
 - 7. Prepaid Insurance**
 - 8. License Expense**

EXERCISE E10-2

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- 1. Equipment**
- 2. Equipment**
- 3. Equipment**
- 4. Land**
- 5. Prepaid Insurance**
- 6. Land Improvements**
- 7. Land Improvements**
- 8. Land**
- 9. Building**

EXERCISE E10-3
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	<u>Land</u>	<u>Bldg</u>	<u>Land Impvmts</u>
Purchase price	80,000		
Razing old building	8,600		
Sale of scrap materials	(1,700)		
Attorney's fees	1,100		
Broker's commission	5,000		
Architect's fee		7,800	
Driveways, parking lot	<u> </u>	<u> </u>	14,000
Totals	<u>93,000</u>	<u>7,800</u>	<u>14,000</u>

EXERCISE E10-5

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$$\frac{\text{(cost - salvage)}}{\text{life (activity)}} = \text{cost per unit (rate)}$$

$$\frac{\text{(\$168,000 - \$8,000)}}{100,000 \text{ miles}} = \$1.60 \text{ per mile}$$

<u>Year</u>	<u>Units of Activity</u>	<u>Rate</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
2008	26,000	\$1.60	\$41,600	\$ 41,600	\$126,400
2009	32,000	\$1.60	\$51,200	\$ 92,800	\$ 75,200
2010	25,000	\$1.60	\$40,000	\$132,800	\$ 35,200
2011	17,000	\$1.60	\$27,200	\$160,000	\$ 8,000

EXERCISE E10-6

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(1) Straight-Line

$$\frac{(\text{cost} - \text{salvage})}{\text{life (yrs)}} = \text{depr per year}$$

$$\frac{(\$120,000 - \$12,000)}{5 \text{ yrs}} = \$21,600 \text{ per yr}$$

OR

$$\frac{1}{\text{life}} = \text{SL Rate}$$

$$(\text{cost} - \text{salvage}) \times \text{SL Rate} = \text{depr per year}$$

$$\frac{1}{5} = 20\%$$

$$(\$120,000 - \$12,000) \times 20\% = \$21,600$$

$$\text{First Year: } \$21,600 \times 3/12 = \$5,400$$

$$\text{Second Year: } \$21,600$$

EXERCISE E10-6

(2) Units of Activity

$$\frac{(\text{cost} - \text{salvage})}{\text{life (activity)}} = \text{cost per unit (rate)}$$

$$\frac{(\$120,000 - \$12,000)}{10,000 \text{ hours}} = \$10.80 \text{ per hour}$$

$$1,700 \text{ hours} \times \$10.80 = \$18,360$$

(3) Double Declining Balance

Cost

) Acc Depr

$$= \text{Book Value} \times (2 \times \text{SL Rate}) = \text{depr for yr}$$

\$120,000

) -0-

$$= \$120,000 \times (2 \times 20\%) = \$48,000$$
$$\times \frac{3}{12}$$
$$= \$12,000$$

) 12,000

$$= \$108,000 \times (2 \times 20\%) = \$43,200$$

EXERCISE E10-9 – page 492

<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
1/1	Accumulated Depr.		62,000	
	Equipment			62,000
6/30	Depreciation Expense		4,000	
	Accumulated Depr.			4,000
	(40,000 x 1/5 x 6/12)			
30	Cash		14,000	
	Accumulated Depr.		28,000	
	Equipment			40,000
	Gain on Disposal			2,000
12/31	Depreciation Expense		6,000	
	Accumulated Depr.			6,000
31	Accumulated Depr.		30,000	
	Loss on Disposal		9,000	
	Equipment			39,000

EXERCISE E10-10 – page 492

<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
(a)	Cash		28,000	
	Acc Depr – Equipment		27,000	
	Equipment			50,000
	Gain on Disposal			5,000
(b)	Depreciation Expense		3,000	
	Acc Depr – Equip			3,000
	Cash		28,000	
	Acc Depr – Equipment		30,000	
	Equipment			50,000
	Gain on Disposal			8,000
(c)	Cash		11,000	
	Acc Depr – Equipment		27,000	
	Loss on Disposal		12,000	
	Equipment			50,000
(d)	Depreciation Expense		6,750	
	Acc Depr – Equipment			6,750
	Cash		11,000	
	Acc Depr – Equipment		33,750	
	Loss on Disposal		5,250	
	Equipment			50,000

EXERCISE *E10-15
page 493 (part 1)

Cost of old trucks	\$64,000
Less: Acc Depr	<u>22,000</u>
Book Value	\$42,000
FMV of old trucks	<u>36,000</u>
Loss on Disposal	<u>\$ 6,000</u>

Gave:

FMV of Old Trucks	\$36,000
Cash	<u>17,000</u>
Cost of New Trucks	<u>\$53,000</u>

<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
1.	Trucks (new)		53,000	
	Accumulated Depr (old)		22,000	
	Loss on Disposal		6,000	
	Trucks (old)			64,000
	Cash			17,000

EXERCISE *E10-15 (part 2.)

Cost of old machine	\$12,000
Less: Acc Depr	<u>4,000</u>
Book Value	\$ 8,000
FMV of old machine	<u>9,000</u>
Gain on Disposal	<u>\$ 1,000</u>

Gave:

FMV of Old Machine	\$ 9,000
Cash	<u>3,000</u>
Cost of New Machine	<u>\$12,000</u>

<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
2.	Equipment (new)		12,000	
	Accumulated Depr (old)		4,000	
	Gain on Disposal			1,000
	Equipment (old)			12,000
	Cash			3,000

BRIEF EXERCISE BE10-1

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Cash Paid for Land	\$70,000
Accrued Taxes	3,000
Attorneys' Fees	2,500
Real Estate Commission	2,000
Clearing and Grading	<u>3,500</u>
Total Cost of Land	<u>\$81,000</u>

BRIEF EXERCISE BE10-2

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Cash Price of Truck	\$30,000
Sales Tax	1,500
Painting and Lettering	<u>400</u>
Total Cost of Truck	<u>\$31,900</u>

Expenses:

Accident insurance	\$2,000
Vehicle License	\$ 100

BRIEF EXERCISE BE10-3

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Straight-Line

$$\frac{(\text{cost} - \text{salvage})}{\text{life (yrs)}} = \text{depr per year}$$

$$\frac{(\$42,000 - \$6,000)}{4 \text{ yrs}} = \$9,000 \text{ per yr}$$

OR

$$\frac{1}{\text{life}} = \text{SL Rate}$$

$$(\text{cost} - \text{salvage}) \times \text{SL Rate} = \text{depr per year}$$

$$\frac{1}{4} = 25\%$$

$$(\$42,000 - \$6,000) \times 25\% = \$9,000$$

First Year:	\$ 9,000
Second Year:	\$ 9,000

BRIEF EXERCISE BE10-5
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Double Declining Balance

Cost

) **Acc Depr**

= **Book Value x (2 x SL Rate) = depr for yr**

\$42,000

) **-0-**

= **\$42,000 x (2 x 25%) = \$21,000**

) **21,000**

= **\$21,000 x (2 x 25%) = \$ 10,500**

BRIEF EXERCISE BE10-6
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(cost - salvage) = cost per unit (rate)
life (activity)

(\$33,500 - \$500) = \$.22 per mile
150,000 miles

Y1: 30,000 miles x \$.22 = \$6,600

Y2: 20,000 miles x \$.22 = \$4,400

BRIEF EXERCISE BE10-9
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<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
(a)	Accumulated Depr		41,000	
	Equipment			41,000
(b)	Accumulated Depr		39,000	
	Loss on Disposal		2,000	
	Equipment			41,000

BRIEF EXERCISE BE10-10
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<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
(a)	Depreciation Expense		5,250	
	Accumulated Depr			5,250
(b)	Cash		20,000	
	Accumulated Depr		47,250	
	Loss on Disposal		4,750	
	Equipment			72,000

BRIEF EXERCISE *BE10-15
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<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
	Equipment		24,000	
	Accumulated Depr		30,000	
	Loss on Disposal		12,000	
	Equipment			61,000
	Cash			5,000

BRIEF EXERCISE BE10-16
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<u>Date</u>	<u>Account Titles</u>	<u>Ref</u>	<u>Debit</u>	<u>Credit</u>
	Equipment		43,000	
	Accumulated Depr		30,000	
	Gain on Disposal			7,000
	Delivery Equipment			61,000
	Cash			5,000