

Name: _____ Date: _____ A

Discussion Section: _____ Row: _____ Seat: _____

PRINCIPLES OF FINANCIAL ACCOUNTING I
Fall 2014

Chapter 10 – Plant Assets

"As a student of ORU I hereby pledge my full and hearty support to the Honor Code. I agree not only to be honest myself but to report all cases of dishonesty that are observed by me."

Indicate whether the following statements are TRUE or FALSE by marking "+" for TRUE and "O" for FALSE in the blank provided at the right:

- _____ 1. The cost of electronic equipment would include the \$1,000 installation fee charged by the seller.
- _____ 2. The cost of land purchased for a plant site (land, \$200,000; building \$100,000) would be debited to Land for \$200,000 and Buildings \$100,000.
- _____ 3. Land is ordinarily depreciated on a straight-line basis.
- _____ 4. The declining-balance method is an accelerated depreciation method.
- _____ 5. The mathematical difference between the balance in a plant asset account and its related accumulated depreciation account is referred to as the asset's book value.
- _____ 6. If a plant asset with a cost of \$50,000 on which \$40,000 of depreciation has been taken is sold for \$12,000, the seller would credit the account Gain on Disposal for \$2,000.
- _____ 7. The declining balance depreciation method ignores the estimated salvage value of the asset in the determination of annual depreciation.
- _____ 8. The amount of the depreciation expense for the first full year of use of a plant asset costing \$40,000 with an estimated salvage value of \$5,000 and a useful life of seven years is \$5,000 by the straight-line method.
- _____ 9. The amount of the depreciation expense for the second full year of use of a plant asset costing \$50,000 with an estimated salvage value of \$10,000 and a useful life of four years is \$10,000 by the declining-balance method at twice the straight-line rate.
- _____ 10. When purchasing land, the costs for clearing, draining, filling, and grading should be charged to a Land Improvements account.

When you have finished, please put your paper face down at the end of your row to your left.

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- + 1. The cost of electronic equipment would include the \$1,000 installation fee charged by the seller.
- O 2. The cost of land purchased for a plant site (land, \$200,000; building \$100,000) would be debited to Land for \$200,000 and Buildings \$100,000. (*Land \$300,000 @ cost.*)
- O 3. Land is ordinarily depreciated on a straight-line basis. (*Land is NOT depreciated.*)
- + 4. The declining-balance method is an accelerated depreciation method.
- + 5. The mathematical difference between the balance in a plant asset account and its related accumulated depreciation account is referred to as the asset's book value.
- + 6. If a plant asset with a cost of \$50,000 on which \$40,000 of depreciation has been taken is sold for \$12,000, the seller would credit the account Gain on Disposal for \$2,000.
- + 7. The declining balance depreciation method ignores the estimated salvage value of the asset in the determination of annual depreciation.
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- O 9. The amount of the depreciation expense for the second full year of use of a plant asset costing \$50,000 with an estimated salvage value of \$10,000 and a useful life of four years is **\$10,000** by the declining-balance method at twice the straight-line rate. (*\$12,500*)
- O 10. When purchasing land, the costs for clearing, draining, filling, and grading should be charged to a **Land Improvements** account. (*Should be debited to Land*)