

Name: _____ Date: _____ B

Disc. 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 land purchased for a plant site (Land, \$300,000; building \$50,000) would be debited to Land for \$300,000 and Buildings \$50,000.
- _____ 2. Land is ordinarily depreciated on a straight-line basis.
- _____ 3. The cost of electronic equipment would include the \$1,000 installation fee charged by the seller.
- _____ 4. The declining-balance method is not 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. The units-of-activity method ignores the estimated salvage value of the asset in the determination of annual depreciation.
- _____ 7. 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 debit the account Loss on Disposal for \$2,000.
- _____ 8. The amount of the depreciation expense for the first full year of use of a plant asset costing \$50,000 with an estimated salvage value of \$5,000 and a useful life of eight years is \$6,250 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 \$12,500 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 the Land account.

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

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

- O 1. The cost of land purchased for a plant site (Land, \$300,000; building \$50,000) would be debited to Land for \$300,00 and Buildings \$50,000. (*Land \$350,000 @ cost.*)
- O 2. Land is ordinarily depreciated on a straight-line basis. (*Land is NOT depreciated.*)
- + 3. The cost of electronic equipment would include the \$1,000 installation fee charged by the seller.
- O 4. The declining-balance method is **not** 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.
- O 6. The units of activity method ignores the estimated salvage value of the asset in the determination of annual depreciation. (*Only declining balance ignores salvage.*)
- O 7. 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 **debit the account Loss on Disposal** for \$2,000. (*Gain on Disposal would be credited.*)
- O 8. The amount of the depreciation expense for the first full year of use of a plant asset costing \$50,000 with an estimated salvage value of \$5,000 and a useful life of eight years is **\$6,250** by the straight-line method. (*\$5,625*)
- + 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 \$12,500 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 the Land account.